

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Schoolcraft County, Michigan	County Schoolcraft
Audit Date 9/30/04	Opinion Date 11/23/04	Date Accountant Report Submitted to State: 3/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 901 Ludington Street	City Escanaba	State MI	ZIP 49829
Accountant Signature <i>Anderson, Tackman & Company P.C.</i>		Date 3/30/05	

COUNTY OF SCHOOLCRAFT, MICHIGAN

BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Schoolcraft
Manistique, Michigan 49854

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Schoolcraft, Michigan as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Schoolcraft's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Schoolcraft Memorial Hospital and Schoolcraft County Medical Care Facility, which represent 36% and 23%, respectively of the assets, 27% and 32% of net assets, and 60% and 22% of revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Schoolcraft Memorial Hospital and Schoolcraft County Medical Care Facility, is based on the reports of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate

remaining fund information of the County of Schoolcraft, Michigan as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of September 30, 2004.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 - 10 and 58 - 61, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Schoolcraft's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Certified Public Accountants

November 23, 2004

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Schoolcraft County's financial performance provides an overview of the County's financial activities for the year ended September 30, 2004. Please read it in conjunction with the County's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The County's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A. Net assets for the County were reported at \$5,474,459. Net assets for our business-type activities were \$3,027,447 or 55% of total net assets, while net assets in our governmental activities were \$2,447,012 or 45% of total net assets.
- The County's expenses for the year totaled \$4,652,028, while revenues from all sources totaled \$4,725,332, leaving an increase of \$73,304.
- In the County's business type activities, total revenues were \$618,221, or 13% of total revenue, while expenses totaled \$683,606, or 15% of total expenses. This provides excess expenses over revenue of \$65,385.
- The General fund reported an increase in fund balance of \$10,197, representing an increase in fund balance of 5%. This was after revenues of \$3,083,526 compared to \$3,050,014 in 2003, and expenditures of \$2,815,294 compared to expenses of \$2,796,146 in 2003.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 11, 12 and 13) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements reports the County's net assets and changes in them. You can think of the County's net assets- the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes, state shared revenues and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The County Airport, Public Transit and the collection of delinquent property taxes primarily make up these activities.

The County also presents five legally separate component units; Economic Development Corporation, Hospital, County Road Commission, Medical Care Facility and Family Independence Agency which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begin on page 8. The fund financial statements begin on page 14 and provide detailed information on the most significant funds - not the County as a whole.

Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - governmental and proprietary - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

The County as a Trustee

The County is the trustee, or *fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 26. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

The County as a Whole

The County's net combined assets grew by \$73,304.

Table 1
Net Assets

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>
Assets:		
Current and other assets	\$ 3,985,853	\$ 2,163,406
Capital assets(net)	<u>1,567,371</u>	<u>918,176</u>
Total Assets	<u>\$ 5,553,224</u>	<u>\$ 3,081,582</u>
Liabilities:		
Long-term debt outstanding	2,654,978	54,135
Other liabilities	<u>451,234</u>	
Total Liabilities	<u>\$ 3,106,212</u>	<u>\$ 54,135</u>
Net Assets:		
Invested in capital assets, net of related debt	285,433	918,176
Restricted assets:		
Expendable	1,415,882	1,596
Unrestricted	<u>745,697</u>	<u>2,107,675</u>
Total net assets	<u>\$ 2,447,012</u>	<u>\$ 3,027,447</u>

Net assets of the County's governmental activities stood at \$2,447,012. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$745,697.

Net assets in our business-type activities stood at \$3,027,447. Unrestricted net assets for our business-type activities were \$2,107,675. A large portion of net assets in our business-type activities is the result of the federal government funding a large portion of capital improvements at the county airport.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Table 2
Changes in Net Assets

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 484,173	\$ 338,763
Operating grants	1,202,620	245,459
Capital grants	78,539	16,265
General Revenues:		
Property taxes	1,675,740	
State revenue sharing	102,821	
Unrestricted investment		
Earnings	36,702	17,734
Miscellaneous	493,110	
Total Revenues	<u>4,073,705</u>	<u>618,221</u>
Program Expenses:		
Legislative	85,054	
Judicial system	978,870	
General government	992,810	
Public Safety	910,920	
Health and welfare	631,427	
Recreation and culture	12,636	
Other	201,634	
Interest on long-term debt	155,071	
Delinquent tax revolving		12,996
Jail commissary		7,265
Building inspection		59,418
Building maintenance		12,681
Airport		76,710
Public transit		514,536
Total Expenses	<u>3,968,422</u>	<u>683,606</u>
Excess (deficiency) before transfers and contributions	105,283	(65,385)
Transfers	<u>80,728</u>	<u>(47,322)</u>
Increase (decrease) in net assets	186,011	(112,707)
Net assets - beginning	<u>2,261,001</u>	<u>3,140,154</u>
Net assets - ending	<u>\$ 2,447,012</u>	<u>\$ 3,027,447</u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Governmental Activities

Revenues for the County's governmental activities totaled \$4,073,705, while expenses were \$3,968,422. The excess of revenue over expenses was \$186,011, which was the result of cost containment in response to a moderate decline in revenue from various funding sources.

Table three below reflects the cost of each of the County's five largest activities; General government, judicial system, public safety, health & welfare and other, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
General government	\$ 992,810	\$ 251,776
Judicial system	978,870	839,463
Public safety	910,920	652,604
Health and Welfare	631,427	298,905
Other	<u>201,634</u>	<u>(92,419)</u>
Totals	<u>\$ 3,715,661</u>	<u>\$ 1,950,329</u>

Business-Type Activities

The County's business-type activities net assets totaled \$3,027,447, with a decrease in the current year of \$112,707. A majority of the decrease was due to net losses in public transit and the airport.

The public transit experienced a significant decline in state operating assistance during the current year. The main reason for the net loss with the airport is depreciation expense of \$31,304 as a result of runway improvements capitalized during the 2003 fiscal year.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

For the current fiscal year the County's governmental funds reported total fund balance of \$3,715,749, which was all unreserved. The General Fund unreserved fund balance amounted to \$227,124, with \$97,803 designated (see Note – D). The General Fund had an increase in fund balance of \$10,197, representing an increase of 5% over the prior year fund balance. The County

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Grants fund had a fund balance of \$0, Maintenance of Effort – Medical Care Facility fund had an unreserved fund balance of \$407,273, and the Medical Care Facility Improvement fund had an unreserved fund balance of \$2,112,758.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$78,424, representing an increase of 2.6%.

The budgeted expenditures of the final amended budget increased by \$10,488 over the original budget, representing an increase of less than 1%. The original budget projected no change in net assets, while the actual results showed an increase to fund balance of \$10,197. This was due to an increase of revenue, primarily from increased charges for services and an effort to contain costs resulting in the net change from the original budget to the final actual amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the County had \$2,485,547, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>
Land	\$ 73,822	\$ 40,027
Land Improvements		665,160
Buildings and improvements	1,462,511	104,896
Machinery & Equipment	27,056	54,688
Vehicles	<u>3,982</u>	<u>53,405</u>
Total	<u>\$ 1,567,371</u>	<u>\$ 918,176</u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

DEBT

At year-end the County had \$2,654,978 in bonds and notes outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities 2004	Business-Type Activities 2004	Totals
Building Authority Bonds:			
FIA Expansion	\$ 826,938	\$	\$ 826,938
Courthouse Renovation	455,000		455,000
1995 Medical Care Facility	1,345,000		1,345,000
Notes Payable			
Northern Lights Revolving Loan	28,040		28,040
Totals	<u>\$ 2,654,978</u>	<u>\$ 0</u>	<u>\$ 2,654,978</u>

There were additions of \$30,790 to long-term debt this fiscal year for the Northern Lights Revolving Loan. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$2,654,978 is well below statutory limits. There is no outstanding debt for business-type activities at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of these factors is the uncertainty of State revenue sharing cuts as well as other changes in State government which will effect the way programs and services are provided and funded. The economy in the Schoolcraft County area appears to be flat in relation to job growth or job loss. The cost of living in the Schoolcraft County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2005 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Schoolcraft County Courthouse, 300 Walnut Street, Room #169, Manistique, Michigan 49854.

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF NET ASSETS
September 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 361,090	\$ 1,596	\$ 362,686
Unrestricted	3,273,734	1,241,726	4,515,460
Receivables:			
Accounts	25,722	21,501	47,223
State of Michigan	192,858	39,337	232,195
Current/delinquent taxes	39,733	1,326	41,059
Interest	9,052	102	9,154
Due from other governmental units	43,315	-	43,315
Internal balances	1,578	52,980	54,558
Prepays	38,771	1,535	40,306
Unamortized discount on bonds	-	-	-
Inventory	-	-	-
Total current assets	<u>3,985,853</u>	<u>1,360,103</u>	<u>5,345,956</u>
Noncurrent assets:			
Investments/assets limited to use	-	400,000	400,000
Delinquent taxes	-	371,274	371,274
Accrued interest on delinquent taxes	-	32,029	32,029
Capital assets, net of accumulated depreciation	1,567,371	918,176	2,485,547
Other assets	-	-	-
Total noncurrent assets	<u>1,567,371</u>	<u>1,721,479</u>	<u>3,288,850</u>
Total assets	<u>\$ 5,553,224</u>	<u>\$ 3,081,582</u>	<u>\$ 8,634,806</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 50,093	\$ 8,179	\$ 58,272
Accrued payroll	70,514	13,915	84,429
Accrued interest	8,417	-	8,417
Due to other governmental units	76,525	-	76,525
Other liabilities	49,162	22,085	71,247
Internal balances	-	9,956	9,956
Long-term liabilities due within one year:			
Compensated absences	49,131	-	49,131
Bonds/loans payable	79,195	-	79,195
Total current liabilities	<u>383,037</u>	<u>54,135</u>	<u>437,172</u>
Long-term liabilities:			
Compensated absences	147,392	-	147,392
Bonds/loans payable	2,575,783	-	2,575,783
Total long-term liabilities	<u>2,723,175</u>	<u>-</u>	<u>2,723,175</u>
Total liabilities	<u>3,106,212</u>	<u>54,135</u>	<u>3,160,347</u>
NET ASSETS			
Invested in capital assets, net of related debt	285,433	918,176	1,203,609
Restricted	-	1,596	1,596
Restricted for expendable:			
Special revenue	1,120,559	-	1,120,559
Debt service	295,323	-	295,323
Capital projects	-	-	-
Unrestricted	<u>745,697</u>	<u>2,107,675</u>	<u>2,853,372</u>
Total net assets	<u>2,447,012</u>	<u>3,027,447</u>	<u>5,474,459</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,553,224</u>	<u>\$ 3,081,582</u>	<u>\$ 8,634,806</u>

See accompanying notes to financial statements

Component Units				
Road Commission	Family Independence Agency	Economic Development Corporation	Schoolcraft Memorial Hospital	Medical Care Facility
\$ -	\$ -	\$ 51,906	\$ -	\$ -
1,702,000	30,000	41,957	1,770,928	1,051,223
916,351	-	-	1,469,561	496,860
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
31,407	-	-	143,852	-
27,600	-	-	-	-
208,171	-	-	241,379	-
<u>2,885,529</u>	<u>30,000</u>	<u>93,863</u>	<u>3,625,720</u>	<u>1,548,083</u>
-	-	-	1,027,905	2,019,088
-	-	-	-	-
-	-	-	-	-
7,060,816	-	27,120	4,226,284	2,270,944
-	-	-	30,533	-
<u>7,060,816</u>	<u>-</u>	<u>27,120</u>	<u>5,284,722</u>	<u>4,290,032</u>
<u>\$ 9,946,345</u>	<u>\$ 30,000</u>	<u>\$ 120,983</u>	<u>\$ 8,910,442</u>	<u>\$ 5,838,115</u>
\$ 22,539	\$ -	\$ 6,730	\$ 97,360	\$ 328,404
65,836	-	3,574	1,192,147	139,039
-	-	-	-	-
759,596	30,000	-	670,000	-
96,441	-	-	-	52,755
-	-	-	-	-
86,614	-	-	-	82,108
146,876	-	-	438,702	-
<u>1,177,902</u>	<u>30,000</u>	<u>10,304</u>	<u>2,398,209</u>	<u>602,306</u>
259,843	-	-	-	-
2,159,106	-	-	2,087,161	-
<u>2,418,949</u>	<u>-</u>	<u>-</u>	<u>2,087,161</u>	<u>-</u>
3,596,851	30,000	10,304	4,485,370	602,306
4,754,834	-	27,120	-	2,270,944
1,594,660	-	-	20,082	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	83,559	4,404,990	2,964,865
<u>6,349,494</u>	<u>-</u>	<u>110,679</u>	<u>4,425,072</u>	<u>5,235,809</u>
<u>\$ 9,946,345</u>	<u>\$ 30,000</u>	<u>\$ 120,983</u>	<u>\$ 8,910,442</u>	<u>\$ 5,838,115</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

Functions/Programs Primary government:	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities:						
Legislative	\$ 85,054	\$ -	\$ -	\$ -	\$ (85,054)	\$ -
Judicial system	978,870	-	139,407	-	(839,463)	-
General government	992,810	439,470	301,564	-	(251,776)	-
Public safety	910,920	3,368	176,409	78,539	(652,604)	-
Health and welfare	631,427	19,960	312,562	-	(298,905)	-
Recreation and culture	12,636	-	-	-	(12,636)	-
Other	201,634	21,375	272,678	-	92,419	-
Interest on long-term debt	155,071	-	-	-	(155,071)	-
Total governmental activities	3,968,422	484,173	1,202,620	78,539	(2,203,090)	(2,203,090)
Business-type activities:						
Delinquent tax revolving/tax collections	12,996	101,320	-	-	-	88,324
Jail commissary	7,265	9,576	-	-	-	2,311
Building inspection	59,418	35,724	-	-	-	(23,694)
Building maintenance	12,681	21,863	-	-	-	9,182
Airport	76,710	-	-	-	-	(76,710)
Public transit	514,536	170,280	245,459	16,265	-	(82,532)
Total business-type activities	683,606	338,763	245,459	16,265	-	(70,918)
Total primary government	4,652,028	822,936	1,448,079	94,804	(2,203,090)	(2,274,008)
Component units:						
Road Commission	4,058,297	1,074,236	2,686,677	288,770	-	(8,614)
Family Independence Agency	96,906	96,834	-	-	-	(72)
Economic Development Corporation	406,687	-	280,402	93,266	-	780,355
Schoolcraft Memorial Hospital	14,921,955	15,253,144	32,338	-	-	363,527
Medical Care Facility	5,660,919	5,670,910	-	-	-	9,991
Total component units	25,144,764	22,095,124	2,999,417	382,036	-	1,145,187
General revenues:						
Property taxes					1,675,740	-
State revenue sharing					102,821	-
Unrestricted investment earnings					36,702	-
Miscellaneous					493,110	-
Transfers					80,728	-
Total general revenues and transfers					2,389,101	2,359,513
Change in net assets					186,011	73,304
Net assets, beginning					2,261,001	5,401,155
Net assets, ending					\$ 2,447,012	\$ 5,474,459
						\$ 16,121,054

COUNTY OF SCHOOLCRAFT, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	General Fund	County Grants	Maintenance of Effort - Medical Care Facility	Medical Care Facility Improvement
ASSETS				
Cash and equivalents:				
Restricted	\$ 97,803	\$ -	\$ -	\$ -
Unrestricted	17,901	-	418,926	2,107,226
Receivables:				
State of Michigan	83,776	31,285	-	-
Delinquent property taxes	39,733	-	-	-
Accounts	21,541	-	-	-
Accrued interest	2,775	-	401	5,532
Due from other governmental units	41,988	-	-	-
Due from other funds	52,796	-	-	-
Prepaid expense	27,468	-	-	-
	<u>\$ 385,781</u>	<u>\$ 31,285</u>	<u>\$ 419,327</u>	<u>\$ 2,112,758</u>
LIABILITIES				
Accounts payable	\$ 20,211	\$ 6,663	\$ 12,054	\$ -
Due to other funds	-	23,872	-	-
Due to other governmental units	30,000	-	-	-
Accrued payroll and related liabilities	59,284	750	-	-
Deferred revenue	49,162	-	-	-
	<u>158,657</u>	<u>31,285</u>	<u>12,054</u>	<u>-</u>
FUND BALANCES				
Unreserved:				
Designated	97,803	-	-	-
Undesignated	129,321	-	407,273	2,112,758
Unreserved, reported as non-major:				
Special revenue funds	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
	<u>227,124</u>	<u>-</u>	<u>407,273</u>	<u>2,112,758</u>
Total liabilities and fund balances	<u>\$ 385,781</u>	<u>\$ 31,285</u>	<u>\$ 419,327</u>	<u>\$ 2,112,758</u>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 223,111	\$ 320,914
717,244	3,261,297
77,797	192,858
-	39,733
4,163	25,704
344	9,052
1,327	43,315
25,369	78,165
4,419	31,887
<u>\$ 1,053,774</u>	<u>\$ 4,002,925</u>

\$ 9,679	\$ 48,607
52,715	76,587
12,306	42,306
10,480	70,514
-	49,162
<u>85,180</u>	<u>287,176</u>

223,111	320,914
-	2,649,352
426,088	426,088
308,160	308,160
11,235	11,235
<u>968,594</u>	<u>3,715,749</u>
<u>\$ 1,053,774</u>	<u>\$ 4,002,925</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
September 30, 2004

Total fund balances for governmental funds \$ 3,715,749

Total net assets reported for governmental activities in the statement of net assets
is different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. Those assets consist of:

Land and land improvements	73,822	
Buildings and improvements	3,219,877	
Accumulated depreciation	<u>(1,757,366)</u>	
Total capital assets		1,536,333

The County uses internal service funds for the purpose of internally
financing various County projects and for activities related to the Service
Center. The assets and liabilities of these internal service funds are included
in the governmental activities in the statement of net assets.

89,067

The State of Michigan advanced the County its October revenue sharing
payment which was accrued back to September 30th as revenue in the General
Fund. This amount is payable back to the State of Michigan from the
"Revenue Sharing Reserve Fund", a special revenue fund, which was not
established as of September 30, 2004, therefore a liability has been recognized
in the statement of net assets of:

(34,219)

Long-term liabilities applicable to the County's governmental activities are not
due and payable in the current period and accordingly are not reported as
fund liabilities. Interest on long-term debt is not accrued in governmental
funds, but rather is recognized as an expenditure when due. All liabilities,
both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(8,417)	
Bonds/loans payable	(2,654,978)	
Compensated absences	<u>(196,523)</u>	<u>(2,859,918)</u>

Total net assets of governmental activities \$ 2,447,012

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2004

	General Fund	County Grants	Maintenance of Effort - Medical Care Facility	Medical Care Facility Improvement
REVENUES:				
Taxes	\$ 1,675,740	\$ -	\$ 455	\$ -
Licenses and permits	15,944	-	-	-
Federal sources	126,415	78,539	-	-
State sources	312,189	-	-	-
Local sources	-	-	-	-
Charges for services	423,526	-	-	-
Interest and rentals	36,702	-	3,985	28,392
Other	493,010	-	-	-
Total revenues	<u>3,083,526</u>	<u>78,539</u>	<u>4,440</u>	<u>28,392</u>
EXPENDITURES:				
Legislative	83,585	-	-	-
Judicial system	784,424	-	-	-
General government	975,045	-	-	-
Public safety	735,961	78,557	-	-
Health and welfare	146,000	-	41,362	-
Recreation and cultural	3,596	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	2,750	-	-	-
Interest	395	-	-	-
Other	83,538	-	-	-
Total expenditures	<u>2,815,294</u>	<u>78,557</u>	<u>41,362</u>	<u>-</u>
Excess revenues (expenditures)	<u>268,232</u>	<u>(18)</u>	<u>(36,922)</u>	<u>28,392</u>
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	100	-	-	-
Transfer in	100,000	18	-	244,234
Transfer out	(358,135)	-	-	(155,964)
Total other financing sources (uses)	<u>(258,035)</u>	<u>18</u>	<u>-</u>	<u>88,270</u>
Net change in fund balance	10,197	-	(36,922)	116,662
Fund balances - beginning of year	<u>216,927</u>	<u>-</u>	<u>444,195</u>	<u>1,996,096</u>
Fund balances - end of year	<u>\$ 227,124</u>	<u>\$ -</u>	<u>\$ 407,273</u>	<u>\$ 2,112,758</u>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 352,796	\$ 2,028,991
-	15,944
121,283	326,237
276,154	588,343
70,844	70,844
26,770	450,296
21,535	90,614
43,545	536,555
<u>912,927</u>	<u>4,107,824</u>
-	83,585
185,245	969,669
-	975,045
110,703	925,221
414,685	602,047
	3,596
5,321	5,321
175,000	177,750
153,509	153,904
118,096	201,634
<u>1,162,559</u>	<u>4,097,772</u>
<u>(249,632)</u>	<u>10,052</u>
-	100
256,301	600,553
(5,726)	(519,825)
<u>250,575</u>	<u>80,828</u>
943	90,880
<u>967,651</u>	<u>3,624,869</u>
<u>\$ 968,594</u>	<u>\$ 3,715,749</u>

See accompanying notes to financial statements

SCHOOLCRAFT COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

Net changes in fund balances - total governmental funds	\$	90,880
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$82,490) exceeded capital outlays (\$0).		(82,490)
--	--	----------

Internal service funds are used by management to account for activities related to services provided between funds of the County. The net revenue (expense) of the internal service funds is reported with governmental activities.		(14,260)
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The State of Michigan advanced the County its October revenue sharing payment which was accrued back to September 30th as revenue in the General Fund. This amount is payable back to the State of Michigan from the "Revenue Sharing Reserve Fund", a special revenue fund, which was not established as of September 30, 2004, therefore the amount received was recorded as an expense in the statement of activities.		(34,219)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:		
Bond principal	175,000	
Loan principal	2,750	
	177,750	

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	49,517	
Accrued interest on bonds	(1,167)	
	48,350	
Changes in net assets of governmental activities		\$ 186,011

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2004

	<u>Airport</u>	<u>Public Transit</u>	<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>
ASSETS				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 1,596	\$ -	\$ -	\$ -
Unrestricted	-	171,503	162,424	575,501
Receivables:				
State of Michigan	-	39,337	-	-
Accounts	-	12,963	162	420
Current taxes	-	1,326	-	-
Accrued interest	-	102	-	-
Due from other funds	-	-	-	7,100
Prepaid expenses	-	756	-	-
Total current assets	<u>1,596</u>	<u>225,987</u>	<u>162,586</u>	<u>583,021</u>
Noncurrent assets:				
Investments	-	-	400,000	-
Delinquent taxes	-	-	1,597	27,138
Accrued interest on delinquent taxes	-	-	68	7,733
Capital assets, net of accumulated depreciation	<u>723,720</u>	<u>183,129</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>723,720</u>	<u>183,129</u>	<u>401,665</u>	<u>34,871</u>
Total assets	<u><u>\$ 725,316</u></u>	<u><u>\$ 409,116</u></u>	<u><u>\$ 564,251</u></u>	<u><u>\$ 617,892</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 19	\$ 4,424	\$ 835	\$ 1,600
Accrued payroll	-	12,335	-	-
Other liabilities	-	22,085	-	-
Due to other funds	<u>9,956</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>9,975</u>	<u>38,844</u>	<u>835</u>	<u>1,600</u>
NET ASSETS				
Invested in capital assets, net of related debt	723,720	183,129	-	-
Restricted	1,596	-	-	-
Unrestricted	<u>(9,975)</u>	<u>187,143</u>	<u>563,416</u>	<u>616,292</u>
Total net assets	<u>715,341</u>	<u>370,272</u>	<u>563,416</u>	<u>616,292</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 725,316</u></u>	<u><u>\$ 409,116</u></u>	<u><u>\$ 564,251</u></u>	<u><u>\$ 617,892</u></u>

See accompanying notes to financial statements

Tax Revolving 2003	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ -	\$ 1,596	\$ 40,176
225,182	107,116	1,241,726	12,437
-	-	39,337	-
187	7,769	21,501	18
-	-	1,326	-
-	-	102	-
45,880	-	52,980	-
-	779	1,535	6,884
<u>271,249</u>	<u>115,664</u>	<u>1,360,103</u>	<u>59,515</u>
-	-	400,000	-
341,984	555	371,274	-
24,228	-	32,029	-
-	11,327	918,176	31,038
<u>366,212</u>	<u>11,882</u>	<u>1,721,479</u>	<u>31,038</u>
<u>\$ 637,461</u>	<u>\$ 127,546</u>	<u>\$ 3,081,582</u>	<u>\$ 90,553</u>
\$ 539	\$ 762	\$ 8,179	\$ 1,486
-	1,580	13,915	-
-	-	22,085	-
-	-	9,956	-
<u>539</u>	<u>2,342</u>	<u>54,135</u>	<u>\$ 1,486</u>
-	11,327	918,176	31,038
-	-	1,596	-
<u>636,922</u>	<u>113,877</u>	<u>2,107,675</u>	<u>58,029</u>
<u>636,922</u>	<u>125,204</u>	<u>3,027,447</u>	<u>89,067</u>
<u>\$ 637,461</u>	<u>\$ 127,546</u>	<u>\$ 3,081,582</u>	<u>\$ 90,553</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2002
OPERATING REVENUES:				
Taxes	\$ -	\$ 105,742	\$ -	\$ -
Federal sources	-	57,434	-	-
State sources	-	185,704	-	-
Charges for services	-	83,124	2,116	10,426
Interest and rentals	-	-	2,301	21,546
Other	-	-	900	7,365
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenue	-	432,004	5,317	39,337
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES:				
Salaries and fringes	-	374,549	-	-
Administrative fees	-	-	1,975	1,600
Contracted services	29,032	20,631	-	-
Repairs and maintenance	8,284	56,655	-	-
Depreciation	31,304	49,987	-	-
Other	8,090	12,714	173	2,376
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	76,710	514,536	2,148	3,976
	<hr/>	<hr/>	<hr/>	<hr/>
Operating income (loss)	(76,710)	(82,532)	3,169	35,361
	<hr/>	<hr/>	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES):				
Interest income	-	1,475	11,601	3,903
	<hr/>	<hr/>	<hr/>	<hr/>
Income (loss) before transfers and contributions	(76,710)	(81,057)	14,770	39,264
	<hr/>	<hr/>	<hr/>	<hr/>
Transfer in	36,000	-	-	-
Transfer out	-	-	(100,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(40,710)	(81,057)	(85,230)	39,264
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets - beginning	756,051	451,329	648,646	577,028
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets - ending	\$ 715,341	\$ 370,272	\$ 563,416	\$ 616,292
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements

Tax Revolving 2003	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ -	\$ 105,742	\$ -
-	-	57,434	-
-	7,300	193,004	-
12,812	41,055	149,533	9,021
35,437	19,538	78,822	-
-	7,687	15,952	596
48,249	75,580	600,487	\$ 9,617
-	55,715	430,264	-
539	-	4,114	53,794
-	8,511	58,174	-
-	-	64,939	-
-	594	81,885	24,946
2,129	18,748	44,230	-
2,668	83,568	683,606	78,740
45,581	(7,988)	(83,119)	\$ (69,123)
755	-	17,734	-
46,336	(7,988)	(65,385)	(69,123)
578,589	22,273	636,862	54,863
(106)	(584,078)	(684,184)	-
624,819	(569,793)	(112,707)	(14,260)
12,103	694,997	3,140,154	103,327
\$ 636,922	\$ 125,204	\$ 3,027,447	\$ 89,067

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ -	\$ 78,859	\$ 2,981	\$ 10,890	\$ 12,812
Cash operating grants received	-	240,115	-	-	-
Receipts from interest and rents	-	-	17,803	34,300	35,437
Cash received for collection of taxes	-	105,742	52,862	263,237	340,155
Cash receipts from interfund services provided	-	-	-	-	-
Payments to suppliers	(27,910)	(75,818)	-	-	-
Payments for wages and related benefits	-	(370,558)	-	-	-
Cash payments for taxes	-	-	-	-	(706,372)
Other receipts (payments)	(8,090)	(12,714)	6,231	37,491	(36,088)
Net cash provided (used) by operating activities	(36,000)	(34,374)	79,877	345,918	(354,056)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfer in	36,000	-	-	-	578,589
Operating transfer out	-	-	(100,000)	-	(106)
Net cash provided (used) by noncapital financing activities	36,000	-	(100,000)	-	578,483
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of fixed assets	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	-	1,475	11,601	3,903	755
Net increase (decrease) in cash and equivalents	-	(32,899)	(8,522)	349,821	225,182
Cash and equivalents, beginning of year	1,596	204,402	170,946	225,680	-
Cash and equivalents, end of year	<u>\$ 1,596</u>	<u>\$ 171,503</u>	<u>\$ 162,424</u>	<u>\$ 575,501</u>	<u>\$ 225,182</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (76,710)	\$ (82,532)	\$ 3,169	\$ 35,361	\$ 45,581
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	31,304	49,987	-	-	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	-	(7,288)	69,229	276,455	(366,217)
(Increase) decrease in prepaid expenses	-	(756)	-	-	-
(Increase) decrease in due from other funds	-	-	7,970	33,211	(33,880)
Increase (decrease) in accounts payable	(539)	909	(491)	891	460
Increase (decrease) in accrued payroll	-	3,991	-	-	-
Increase (decrease) in other liabilities	-	1,315	-	-	-
Increase (decrease) in due to other funds	9,945	-	-	-	-
Total adjustments	40,710	48,158	76,708	310,557	(399,637)
Net cash provided by operating activities	<u>\$ (36,000)</u>	<u>\$ (34,374)</u>	<u>\$ 79,877</u>	<u>\$ 345,918</u>	<u>\$ (354,056)</u>

See accompanying notes to financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 40,870	\$ 146,412	\$ -
-	240,115	-
34,111	121,651	-
5,637	767,633	-
-	-	16,750
(24,060)	(127,788)	(59,895)
(55,252)	(425,810)	-
-	(706,372)	-
18,850	5,680	-
<u>\$ 20,156</u>	<u>\$ 21,521</u>	<u>\$ (43,145)</u>
22,273	636,862	54,863
<u>(584,078)</u>	<u>(684,184)</u>	<u>-</u>
<u>(561,805)</u>	<u>(47,322)</u>	<u>54,863</u>
-	-	(18,810)
-	17,734	-
(541,649)	(8,067)	\$ (7,092)
<u>648,765</u>	<u>1,251,389</u>	<u>59,705</u>
<u>\$ 107,116</u>	<u>\$ 1,243,322</u>	<u>\$ 52,613</u>
<u>\$ (7,988)</u>	<u>\$ (83,119)</u>	<u>\$ (69,123)</u>
594	81,885	24,946
27,682	(139)	7,133
(779)	(1,535)	(5,951)
-	7,301	-
184	1,414	1,089
463	4,454	-
-	1,315	-
-	9,945	(1,239)
<u>28,144</u>	<u>104,640</u>	<u>25,978</u>
<u>\$ 20,156</u>	<u>\$ 21,521</u>	<u>\$ (43,145)</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 262,971
Receivables:	
Due from other governmental units	15,902
Other assets	<u>1,702</u>
Total assets	<u><u>\$ 280,575</u></u>
LIABILITIES	
Accounts Payable	\$ 3,990
Due to other funds	44,602
Due to other units governmental units	25,273
Undistributed taxes	8,132
Other liabilities	<u>198,578</u>
Total liabilities	<u><u>\$ 280,575</u></u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background – The County of Schoolcraft was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, Schoolcraft County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Schoolcraft County Building Authority – The Schoolcraft County Building Authority is governed by a board of six members, which have been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as the County Building Retirement fund and is included as part of the County's operations because its purpose is to finance the construction of the County Building

Schoolcraft County Public Transit – The Public Transit is governed by a six-member board, which is appointed by the County's Board of Commissioners and includes two County Commissioners. The Transit provides transportation services for the residents of Schoolcraft County. The Transit may not issue debt or levy taxes without the County's approval. The fiscal year for the Transit is October 1 through September 30.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commission on Aging – The Commission on Aging is governed by a board, which has been appointed by the County's Board of Commissioners. The Commission on Aging provides services to the residents of Schoolcraft County and therefore is included as part of the primary government.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Family Independence Agency, Schoolcraft County Medical Care Facility, the Schoolcraft County Road Commission, Schoolcraft Memorial Hospital, and the Economic Development Corporation (EDC). The component units are reported in a separate column to emphasize that they are legally separate from the County.

Schoolcraft County Medical Care Facility – The facility is governed by the Schoolcraft County Family Independence Agency Board which consists of three members, two of whom are appointed by the Schoolcraft County Board of Commissioners and one appointed by the Michigan Governor. The Medical Care Facility may not issue debt or levy property taxes without the County's approval.

Family Independence Agency - The Family Independence Agency is a joint venture between Schoolcraft and Alger Counties and is governed by a three-member board, one appointed by each County and one appointed by the Michigan Governor. The Agency received an appropriation of \$5,500 from Schoolcraft County. In addition, the treasury function of the Agency rests with the Schoolcraft County Treasurer. Additional financial information of the agency may be obtained directly from their administrative offices.

Family Independence Agency
County Courthouse
Manistique, Michigan 49854

Schoolcraft County Road Commission - The citizenry in a general, popular election elects the members of the governing board of the Road Commission. The Road Commission provides the citizens of Schoolcraft County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements of the Road Commission can be obtained directly from their administrative office.

Schoolcraft County Road Commission
P.O. Box 160
Manistique, Michigan 49854

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Schoolcraft Memorial Hospital – The Schoolcraft Memorial Hospital was organized under Public Act 230 of the Public Acts of 1987 and is a county hospital corporation that operates a 25-bed acute care facility. The Hospital provides comprehensive inpatient, outpatient, emergency, medical, and home health services. The Hospital's most current audit report is included within the financial statements of Schoolcraft County with a fiscal year ending December 31, 2003. Additional financial information of the Hospital may be obtained directly from their administrative offices.

Schoolcraft Memorial Hospital
500 Main Street
Manistique, Michigan 49854

Schoolcraft County Economic Development Corporation (EDC) – The EDC was incorporated on March 12, 1982 by Schoolcraft County under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Schoolcraft County. The EDC received an appropriation of \$5,000 from Schoolcraft County. Additional financial information of the corporation may be obtained directly from their administrative offices.

Schoolcraft County Economic Development Corporation
321 Deer Street
Manistique, Michigan 49854

Related Organization - The LMAS Health Department is a district health department covering the counties of Luce, Mackinac, Alger and Schoolcraft. The Board consists of eight members, with two members being appointed by each County. All financial operations of the Health Department are recorded in the books of Luce County. Each County makes an annual appropriation, which is given at the discretion of each County Board. Schoolcraft County's appropriation to the Health Department for the calendar year was \$11,347. There is no funding formula adopted by the member counties. A copy of the audit report may be acquired from the following:

LMAS District Health Department
Hamilton Lake Road
Newberry, Michigan 49868

Accounting Policies - The accounting policies of the County of Schoolcraft conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements - The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes, state revenue sharing and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation - The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, state revenue sharing, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

County Grants Fund – The County Grants Fund accounts for the various federal and state grants received for various programs and projects administered by the County.

Maintenance of Effort/Medical Care Facility (MOE/MCF) Fund – The Maintenance of Effort/Medical Care Facility Fund was established to account for the maintenance of effort activities of the Medical Care Facility.

Medical Care Facility (MCF) Improvement Fund – The Medical Care Facility (MCF) Improvement Fund accounts for the activities attributable to the improvement of the Medical Care Facility.

The County reports the following as major proprietary funds:

Public Transit – The Transit fund accounts for the activities relating to the operation of the public bus transportation system.

Airport – The Airport fund accounts for the activities relating to the operation of a county airport, which is utilized by commercial and private air carriers.

Tax Revolving 2001, 2002, and 2003 – These funds account for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Transit and Airport enterprise funds are charges to customers for sales and services, and the principal operating revenues of the Tax Revolving 2001, Tax Revolving 2002, and Tax Revolving 2003 funds are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- e. The County of Delta adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)
General appropriations and functional groups
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2004. All budget amendments are presented to the Finance Committee. In September, the Board of Commissioners approved all amendments to the annual budget.

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments – Investments are carried at market with all dividends being reinvested.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The County has not recorded an allowance for uncollectible accounts, as the County does not anticipate that amount to be material.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is accounted for under the consumption method for the reporting entity with the exception of the Schoolcraft County Road Commission, which is priced at cost as determined on the average unit cost method.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28. The County tax is collected during this period by each local taxing district.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	5 - 25
Buildings and improvements	5 - 50
Machinery and equipment	3 - 20
Vehicles	3 - 5
Infrastructure	8 - 50

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. It is the County's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - BUDGET AND FUND BALANCE NON-COMPLIANCE

Budget Violations - Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended September 30, 2004, the County Grants Fund expenditures exceeded total appropriations by \$84.

NOTE C – CASH & EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings and deposit accounts, or depository receipts of a financial institution.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C – CASH & EQUIVALENTS AND INVESTMENTS (continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 3; risk disclosures for deposits are as follows:

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C – CASH & EQUIVALENTS AND INVESTMENTS (continued)

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 301,557	\$ 303,868
Uninsured	4,839,560	5,375,068
Total cash	<u>\$ 5,141,117</u>	<u>\$ 5,678,936</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Restricted	\$ 362,686	
Unrestricted	4,515,460	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	262,971	
Total cash and equivalents	<u>\$ 5,141,117</u>	
Investments:		
Risk categorized investments:		
Government bond and notes (2)	<u>\$ 400,000</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 1,702,000	
Family Independence	30,000	
Economic Development Corporation	93,863	
Schoolcraft Memorial Hospital	1,770,928	
Medical Care Facility	1,051,223	
Total cash and equivalents	<u>\$ 4,648,014</u>	
Assets limited as to use:		
Schoolcraft Memorial Hospital	\$ 617,639	
Medical Care Facility	2,019,088	
Investments:		
Schoolcraft Memorial Hospital	<u>410,266</u>	
Total assets limited as to use and investments	<u>\$ 3,046,993</u>	

The amount of federal depository insurance relating to component unit's cash and equivalents is undeterminable, as these funds are a portion of the entire County deposits.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C – CASH & EQUIVALENTS AND INVESTMENTS (continued)

Assets Limited as to Use:

Schoolcraft Memorial Hospital – The composition of assets limited to use at December 31, 2003 consists of cash and certificate of deposits stated at fair value. These assets have been designated by the Board for funded depreciation in the amount of \$458,116, risk management for \$139,441 and donor restricted for specific purposes for \$20,082, for total assets limited as to use in the amount of \$617,639.

Schoolcraft County Medical Care Facility – The composition of assets limited to use at September 30, 2004 consists of cash. These assets have been limited to use by the Schoolcraft County Family Independence Agency Board for future capital purchases.

Investments:

Schoolcraft Memorial Hospital – Investments, which are stated at fair value as of December 31, 2003 consist of certificate of deposits in the amount of \$300,000 and common stock in the amount of \$110,266.

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

- Category 1: Insured or registered, or securities held by the County or its agents in Schoolcraft County's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparties or by its trust department or agent in Schoolcraft County's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparties or by its trust department or agent but not in Schoolcraft County's name.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE D – RESTRICTED CASH

Cash has been restricted within the listed funds as follows:

GOVERNMENTAL ACTIVITIES:

Total restricted cash reported within the governmental activities are \$361,090 as of September 30, 2004.

- 1 – General Fund – in the amount of \$95,413 for accrued sick and vacation, \$676 for the Prosecuting Attorney, \$1,714 for Pines Park; for a total restricted cash in the amount of \$97,803.
- 2 – Special Revenue Funds – have restricted cash in the amount of \$145,418 for the 911 Telephone fund, \$3,138 for the Emergency Management Fund, \$1,935 for the Seniors Citizens Fund, and \$115 for the Juvenile Justice Fund; for a total in the amount of \$150,606.
- 3 – Capital Projects Funds – have restricted cash in the Capital Improvement fund in the amount of \$9,571 for Courthouse improvements, \$11,120 for courthouse parking lot, and \$29,868 for furniture, and the Capital Improvement – Public Safety fund in the amount of \$21,946 for repairs, jail renovation, and for the roof; for a total restricted cash in the amount of \$72,505.
- 4 – Internal Service Funds – have restricted cash in the Computer Fund in the amount of \$31,927 for computer purchases, and the Motor Pool Police Vehicle Fund in the amount of \$8,249 for anticipated vehicle purchases; for a total restricted cash in the amount of \$40,176.

BUSINESS-LIKE ACTIVITIES:

Total restricted cash reported within the business-like activities are \$1,596 as of September 30, 2004.

- 1 – Enterprise Funds – have restricted cash in the Airport fund in the amount of \$1,596 for repairs, fuel tanks and runways.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2004 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
		General Trust and Agency	\$ 2,000
		County Grants	23,872
		Friend of Court	801
		Juvenile Justice	4,074
		Sheriff Road Patrols	9,839
		Wrap Grant	420
		Housing Commission	1,622
		Michigan Veterans	212
		Airport Operations	9,956
General Fund	\$ 52,796	Subtotal	52,796
Budget Stabilization Fund	25,369	Survey and Remonumentation	25,369
DTRF 2002	7,100	General Trust and Agency	7,100
		General Trust and Agency	33,880
		Snowmobile Enforcement	12,000
DTRF 2003	45,880	Subtotal	45,880
Total	\$ 131,145	Total	\$ 131,145
Financial Statement Presentation:			
Governmental Funds	\$ 78,165	Governmental Funds	\$ 78,209
Enterprise Funds	52,980	Enterprise Funds	9,956
		Fiduciary Funds	42,980
Total	\$ 131,145		\$ 131,145

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004, was as follows:

	Balance at 10/01/03	Additions	Disposals	Balance at 09/30/04
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 73,822	\$ -	\$ -	\$ 73,822
Capital assets being depreciated:				
Buildings and improvements	3,219,877	-	-	3,219,877
Machinery and equipment	224,337	18,810	98,460	144,687
Vehicles	91,947	-	-	91,947
Total capital assets	<u>3,609,983</u>	<u>18,810</u>	<u>98,460</u>	<u>3,530,333</u>
Less accumulated depreciation:				
Buildings and improvements	1,674,876	82,490	-	1,757,366
Machinery and equipment	198,227	17,864	98,460	117,631
Vehicles	80,883	7,082	-	87,965
Total accumulated depreciation	<u>1,953,986</u>	<u>107,436</u>	<u>98,460</u>	<u>1,962,962</u>
Governmental activities capital assets, net	<u>\$ 1,655,997</u>	<u>\$ (88,626)</u>	<u>\$ -</u>	<u>\$ 1,567,371</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 40,027	\$ -	\$ -	\$ 40,027
Capital assets being depreciated:				
Land improvements	723,000	-	-	723,000
Buildings and improvements	353,493	-	-	353,493
Machinery and equipment	59,238	-	-	59,238
Vehicles	368,609	16,265	64,052	320,822
Total capital assets	<u>1,544,367</u>	<u>16,265</u>	<u>64,052</u>	<u>1,496,580</u>
Less accumulated depreciation:				
Land improvements	28,920	28,920	-	57,840
Buildings and improvements	245,619	2,978	-	248,597
Machinery and equipment	4,550	-	-	4,550
Vehicles	10,000	-	-	10,000
Transit assets	271,482	49,987	64,052	257,417
Total accumulated depreciation	<u>560,571</u>	<u>81,885</u>	<u>64,052</u>	<u>578,404</u>
Business-type activities capital assets, net	<u>\$ 983,796</u>	<u>\$ (65,620)</u>	<u>\$ -</u>	<u>\$ 918,176</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE F – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative	\$ 1,469
Judicial system	25,707
General government	39,636
Public safety	2,204
Health and welfare	29,380
Recreation and culture	9,040
Total governmental activities	
depreciation expense	<u>\$ 107,436</u>
Business-type activities:	
Airport	\$ 31,304
Transit	49,987
Building and property	594
Total business-type activities	
depreciation expense	<u>\$ 81,885</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/03	Additions	Disposals	Balance at 09/30/04
Capital assets not being depreciated:				
Land	\$ 97,084	\$ -	\$ -	\$ 97,084
Capital assets being depreciated:				
Land improvements	365,399	196,310	-	561,709
Buildings and improvements	3,450,151	-	-	3,450,151
Road equipment	4,092,791	193,334	538,876	3,747,249
Shop equipment	120,006	2,479	-	122,485
Office equipment	34,443	5,742	4,129	36,056
Engineers' equipment	18,115	1,072	2,322	16,865
Depletable assets	69,508	-	-	69,508
Infrastructure	2,064,823	681,910	-	2,746,733
Total capital assets	10,312,320	1,080,847	545,327	10,847,840
Less accumulated depreciation:				
Land improvements	842	2,526	-	3,368
Buildings and improvements	411,753	76,106	-	487,859
Road equipment	2,825,440	501,681	532,469	2,794,652
Shop equipment	71,824	7,278	-	79,102
Office equipment	18,736	3,238	4,053	17,921
Engineers' equipment	15,884	1,124	2,322	14,686
Depletable assets	22,403	-	-	22,403
Infrastructure	197,414	169,619	-	367,033
Total accumulated depreciation	3,564,296	761,572	538,844	3,787,024
Capital assets, net	\$ 6,748,024	\$ 319,275	\$ 6,483	\$ 7,060,816

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H – SCHOOLCRAFT MEMORIAL HOSPITAL CAPITAL ASSETS

A summary of capital assets as of December 31, 2003 for the Schoolcraft Memorial Hospital:

Capital assets:

Land and land improvements	\$ 43,706
Buildings and improvements	5,956,070
Major movable equipment	<u>5,160,551</u>
Total capital assets	11,160,327
Less accumulated depreciation	<u>6,934,043</u>
Capital assets, net	<u>\$ 4,226,284</u>

NOTE I – MEDICAL CARE FACILITY CAPITAL ASSETS

A summary of capital assets as of September 30, 2004 for the Schoolcraft County Medical Care Facility:

Capital assets:

Land	\$ 9,996
Building	3,349,292
Furniture, fixtures and equipment	867,377
Construction in progress	<u>362,978</u>
Total capital assets	<u>4,589,643</u>

Accumulated depreciation:

Building	1,692,080
Furniture, fixtures and equipment	<u>626,619</u>
Total accumulated depreciation	<u>2,318,699</u>
Capital assets, net	<u>\$ 2,270,944</u>

The estimated cost of the Facility's current construction projects totals approximately \$2,300,000. The remaining commitment at September 30, 2004 is approximately \$2,100,000. The project will be financed by existing Facility assets.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE J – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2004:

Type of Debt	Balance 10/1/2003	Additions	Deductions	Balance 9/30/2004	Amounts Due Within One Year
Governmental activities:					
Building Authority bonds:					
FIA Expansion	\$ 856,938	\$ -	\$ 30,000	\$ 826,938	\$ -
Courthouse Construction	525,000	-	70,000	455,000	75,000
1995 Medical Care Facility					
General Obligation					
Unlimited Tax Bonds	1,505,000	-	160,000	1,345,000	-
Northern Lights Revolving Loan	-	30,790	2,750	28,040	4,195
Compensated absences	147,006	49,517	-	196,523	49,131
Total governmental activities long-term debt	<u>\$ 3,033,944</u>	<u>\$ 80,307</u>	<u>\$ 262,750</u>	<u>\$ 2,851,501</u>	<u>\$ 128,326</u>

Debt service requirements on long-term debt at September 30, 2004 are as follows:

For the Year Ending September 30,	Governmental Activities	
	Bonds/Loan Payable	
	Principal	Interest
2005	\$ 79,195	\$ 73,527
2006	136,280	103,807
2007	227,366	96,520
2008	234,454	87,857
2009	246,544	78,692
2010-2014	942,201	269,126
2015-2019	591,000	98,959
2020-2024	197,938	15,875
Total	<u>\$ 2,654,978</u>	<u>\$ 824,363</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE J – LONG-TERM DEBT (continued)

Governmental Activities:

FIA Expansion

The County Building Authority issued \$1,038,000 Building Authority Bonds on July 31, 1996. The bonds were issued under the provisions of Act 31 of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, construction, furnishing and equipping an addition to the Schoolcraft County Courthouse. The bonds were issued in anticipation of and are payable solely from certain cash rental payments on amounts sufficient to pay principal of and interest on the bonds when due. The bonds were issued in denominations of \$5,000 and bear a rate not to exceed 5%.

Courthouse Construction

The County Building Authority issued \$1,900,000 Building Authority Bonds on January 1, 1977. The bonds were issued under the provisions of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, constructing, furnishing and equipping the County Courthouse. The bonds are payable from certain cash rental payments. The bonds are full faith and credit general obligations of the County of Schoolcraft payable from advalorem taxes, if necessary, which must be levied by the County to the extent necessary to make the principal and interest payments. The bonds were issued in denominations of \$5,000 and bear an interest rate of 5%.

1995 Medical Care Facility General Obligation Unlimited Tax Bonds

The County of Schoolcraft issued \$1,900,000 general obligation unlimited tax bonds on May 1, 1995. The purpose of the bond issue is to pay part of the cost of constructing and equipping an addition to and renovating and re-equipping the Schoolcraft Medical Care Facility. The County is obligated to levy annually sufficient taxes to provide for the payment of the principal and interest on the bonds of this issue as they mature. The bonds were issued in \$5,000 denominations and bear an interest rate ranging from 5.2% to 8.0%.

Northern Lights Revolving Loan

The purpose of the promissory note proceeds were used for energy improvements which would lead to energy savings from the improvements sufficient to pay the loan payments of the note. The loan was entered into in December 2003 with 84 monthly installments in the amount of \$393.11 at an interest rate of 2%.

Compensated Absences:

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$196,523 are reported

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE J – LONG-TERM DEBT (continued)

under the governmental activities in the Statement of Net Assets.

Details of the various plans are as follows:

County General – Sick leave is earned at the rate of one hour for every twenty-one hours worked. It can be accumulated up to a maximum of 960 hours. Upon death, or retirement, an employee shall be paid on half of accumulated sick leave. Vacation pay is earned, after one year of employment, based on the employee's employment anniversary date and years of service.

NOTE K - ROAD COMMISSION LONG-TERM DEBT

Bonds Payable:

Michigan Transportation Fund Bonds, Series 2002 – In July 2002, the County of Schoolcraft approved a Schoolcraft County Road Commission Michigan Transportation Fund Bond Issue for the purpose of constructing road commission buildings. The issue was for \$2,000,000 and requires annual principal payments each August 1st and semi-annual interest payments each February 1st and August 1st and has a variable interest rate ranging from 2% to 4.85%.

Notes Payable:

Wells Fargo Bank 1999 – In 1999, the Schoolcraft County Board of Commissioners entered into an installment loan agreement to finance the purchase of various items of road equipment. The note had an original principal amount of \$582,159 and interest rate of 4.83%. During the year ended September 30, 2004, this note was paid in full.

Wells Fargo Bank 2003 – In 2003, the Road Commission financed the purchase of road equipment in the amount of \$504,647. The note calls for five annual payments of \$112,316 on each June 30th, bears an interest rate of 3.95% and is secured by the equipment.

Compensated Absences:

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. Benefits earned by each employee in the current calendar year are to be paid to the employee in the subsequent calendar year, and are permitted to accumulate up to a maximum of 2 years of vacation benefits. Sick leave benefits are earned at the rate of 1 day for each calendar month in which the employee has worked at least 12 days and shall be accumulated up to 105 days. Upon reaching the maximum 105 days of sick leave, an additional 2 days per year will be granted for each year of agreement. Maximum sick days will be 111. Upon retirement or death, an employee, or their estate, shall be paid for 100% of accumulated sick leave. The total vacation and sick

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K - ROAD COMMISSION LONG-TERM DEBT (continued)

leave amount of \$346,457 is recorded in the statement of net assets as a liability.

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2003	Additions	Deductions	Balance 9/30/2004
Bonds payable:				
Michigan Transportation Fund Bonds	\$ 1,950,000	\$ -	\$ 50,000	\$ 1,900,000
Notes payable:				
Wells Fargo 1999 Equipment	105,960	-	105,960	-
Wells Fargo 2003 Equipment	504,647	-	98,665	405,982
Compensated Absences	328,236	18,221	-	346,457
Total long-term debt	<u>\$ 2,888,843</u>	<u>\$ 18,221</u>	<u>\$ 254,625</u>	<u>\$ 2,652,439</u>

Debt service requirements on long-term debt at September 30, 2004 are as follows:

For the Year Ending September 30,	County Road Commission			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2005	\$ 50,000	\$ 82,484	\$ 95,907	\$ 16,409
2006	50,000	81,384	99,765	12,551
2007	55,000	80,110	103,778	8,538
2008	55,000	78,542	106,532	5,784
2009	55,000	76,810	-	-
2010-2014	320,000	351,860	-	-
2015-2019	405,000	279,958	-	-
2020-2024	525,000	176,194	-	-
2025-2027	385,000	32,625	-	-
Total	<u>\$ 1,900,000</u>	<u>\$ 1,239,967</u>	<u>\$ 405,982</u>	<u>\$ 43,282</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE L – SCHOOLCRAFT MEMORIAL HOSPITAL LONG-TERM DEBT

Required payments of principal on various notes payable at December 31, 2003, including current maturities, are summarized as follows:

For the Year Ending December 31	Notes Payable Principal
2004	\$ 438,702
2005	569,580
2006	222,481
2007	84,878
2008	<u>1,210,222</u>
Total	<u>\$ 2,525,863</u>

NOTE M – MEDICAL CARE FACILITY COMPENSATED ABSENCES

Sick leave is earned by full-time employees at the rate of 8 hours per month. It can be accumulated up to a maximum for 81 days. Upon death, or retirement under the present retirement plan, an employee shall be paid one-half of accumulated sick leave.

Vacation pay is earned, after one year of employment, based on the employee's employment anniversary date and years of service.

Accruals for sick and vacation leave accumulated by Medical Care Facility employees are reported as liabilities of that fund as required by accounting standards generally accepted in the United States of America.

NOTE N – PUBLIC TRANSIT COMPENSATED ABSENCES

Vacation is earned on a variable basis, depending upon length of employment. Upon retirement or termination, employees are paid for all outstanding days accumulated at their current rate of pay. The amount of accrued vacation time at September 30, 2004 is \$6,591.

Sick leave is earned at the rate of one day per month, not exceeding twelve days per year. Upon retirement or disability, employees are eligible to receive one-half of such sick leave accumulated, up to a maximum of one hundred days, at their current rate of pay. The amount of accumulated sick leave recorded at one-half of the total accumulated sick leave is \$14,818. Actual sick leave available to be used upon illness is \$29,636.

Accruals for sick and vacation accumulated by Transit employees are reported as liabilities of that fund as required by accounting principles generally accepted in the United States of America.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE O - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 100,000	\$ 358,135
Drug & Alcohol Enforcement	3,156	-
Friend of Court	24,765	-
Register of Deeds Automation	-	5,708
Emergency Management	5,722	18
County Grants	18	-
Law Library	27,000	-
Juvenile Justice	16,673	-
Commission on Aging	5,000	-
Probate Child Care	94,500	-
Soldiers & Sailors Relief	760	-
Department of Social Services Debt	73,650	-
Medical Care Facility Improvement	244,234	155,964
Capital Improvement	3,000	-
Capital Improvement - Public Safety	1,575	-
Carpenter Dam - Maintenance & Repair	500	-
Enterprise Funds:		
Building Inspection	22,273	-
Airport Operations	36,000	-
Summer Tax Collections	-	5,489
Tax Revolving 1998	-	43,977
Tax Revolving 1999	-	256,163
Tax Revolving 2000	-	278,449
Tax Revolving 2001	-	100,000
Tax Revolving 2003	578,589	106
Internal Service Funds:		
Computer	25,385	-
Postage Meter	13,000	-
Telephone	15,000	-
Motor Pool	1,478	-
Component Units:		
Medical Care Facility	155,964	244,233
Total	<u>\$ 1,448,242</u>	<u>\$ 1,448,242</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE P - RETIREMENT PLANS

General County

Plan Description – The County of Schoolcraft has five valuation divisions, which participate in a single retirement plan administered by the Municipal Employee's Retirement System (MERS). They are the General County, Sheriff-FOP, Sheriff's Department, Medical Care Facility, Senior Citizens and Housing which participate in a defined benefit contributory plan. The retirement plan covers substantially all full-time and limited part-time employees. MERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees. All full-time employees of the County participate in the system.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

General County Retirement Plan – The General County offers its various departments either benefit B-2 or B-4. Under benefit B-2 employees shall receive 2.0% of their three-year final average compensation. Under benefit B-4 employees shall receive 2.5% of their three-year final average compensation, with a maximum of 80% of final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Treasurer's office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE P - RETIREMENT PLANS (continued)

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 5,269,506
Terminated employees not yet receiving benefits	338,593
Non-vested terminated employees	46,794
Current Employees:	
Accumulated employee contributions including allocated investment income	1,508,487
Employer financed	9,245,979
	<hr/>
Total actuarial accrued liability	16,409,359
	<hr/>
Net assets available for benefits, at actuarial value (market value is \$11,660,672)	12,770,313
	<hr/>
Unfunded (overfunded) actuarial accrued liability	\$ 3,639,046

GASB 27 INFORMATION (as of 12/31/03)

Fiscal year beginning	October 1, 2005
Annual required contribution (ARC)	\$ 574,524
Amortization factor used	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
<hr/>	<hr/>	<hr/>	<hr/>
2001	\$ 476,508	100%	-
2002	569,748	100%	-
2003	630,196	100%	-

The General County was required to contribute \$613,437 for the year ended September 30, 2003. Payments were based on contribution calculations made by MERS.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE P - RETIREMENT PLANS (continued)

Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 10,951,200	\$ 13,364,865	\$ 2,413,665	82%	\$ 4,233,452	57%
2002	11,653,334	15,548,004	3,894,670	75%	4,336,787	90%
2003	12,770,313	16,409,359	3,639,046	78%	4,591,671	79%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

County Road Commission - Component Unit

Plan Description – The Schoolcraft County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employee's Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period for which actuarial date was available was for the fiscal year ended December 31, 2003.

Actuarial Accrued Liability - All entries and the annual employer contribution amount were based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation. The entry age normal actuarial method was used to determine the disclosure entries.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE P - RETIREMENT PLANS (continued)

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 5,325,272
Terminated employees not yet receiving benefits	-
Current Employees:	
Accumulated employee contributions including allocated investment income	143,169
Employer financed	3,047,045
	<hr/>
Total actuarial accrued liability	8,515,486
	<hr/>
Net assets available for benefits, at actuarial value (market value is \$5,610,784)	6,144,712
	<hr/>
Unfunded (overfunded) actuarial accrued liability	\$ 2,370,774
	<hr/>

GASB 27 INFORMATION (as of 12/31/03)

Fiscal year beginning	October 1, 2005
Annual required contribution (ARC)	\$ 247,320
Amortization factor used - underfunded liabilities (32 years)	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 32 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2001	\$ 155,994	100%	\$ -
2002	135,250	100%	-
2003	176,935	100%	-

The Road Commission was required to contribute \$218,565 for the year ended September 30, 2004. Payments were based on contributions calculations made by MERS.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE P - RETIREMENT PLANS (continued)

Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 6,125,397	\$ 7,197,392	\$ 1,071,995	85%	\$ 1,155,058	93%
2002	6,019,534	7,865,688	1,846,154	77%	1,147,817	151%
2003	6,144,712	8,515,486	2,370,774	72%	1,274,610	186%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Schoolcraft Memorial Hospital - Component Unit

The Hospital sponsors a defined benefit plan through participation in the Michigan Municipal Employee's Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers full-time employees of the Hospital hired before February 17, 1999, who did not elect to change to the defined contribution plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

Benefits provisions of MMERS, and employer and employee obligations to contribute are outlined in ACT No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of investments over a 10-year period.

The Hospital's contributions to the defined benefit plan amounted to \$236,341 for the year ended December 31, 2003.

The following table summarizes the benefit obligation, the fair value of assets, and the funded status of the plan as of the end of the plan years December 31, 2002, the last plan measurement date available:

	2002
Projected benefit obligation	\$ (12,369,130)
Fair value of plan assets as of December 31	10,455,965
Funded status at December 31	<u>\$ (1,913,165)</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE P - RETIREMENT PLANS (continued)

The plan's current accumulated benefit obligation was \$8,841,791 at December 31, 2002, the plan measurement date. Fair value of plan assets exceeded the accumulated benefit obligation at December 31, 2002.

The amount of required contributions and benefits paid from the plan is as follows for the plan years ended December 31, 2002:

	<u>2002</u>
Annual contributions	231,324
Benefit payments	425,896

The assumptions used in the measurement of the Hospital's benefit obligation are shown in the following table:

	<u>2002</u>
Discount rate	8.00%
Expected return on plan assets	8.00%
Rate of compensation increase	4.5% - 8.66%

The Hospital also sponsors a defined contribution plan covering all employees hired after February 17, 1999, and all other employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute 5% of their gross earnings and the Hospital contributes 3% match for participants. The Hospital's contribution totaled \$109,752 for the year ended December 31, 2003.

NOTE Q - DESIGNATED FUND BALANCE AND RESERVE RETAINED EARNINGS

Various county funds have designated fund balance and retained earnings for cash restricted for various purposes. See footnote - D "Restricted Cash", for these specified purposes.

NOTE R - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE S - RISK MANAGEMENT

The County of Schoolcraft participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$100,000 per person and \$250,000 per occurrence. The limits on vehicle physical damage are \$1,500,000. The retention limits for property coverage are subject to a \$250 deductible. Some members have individual retention levels different than the ones previously stated.

The member must satisfy all deductibles before any payments are made from the member's self-insured retention or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the member's self-insured retention. The member's self-insured retention and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the member's self-insured retention and the Limits of Coverage.

Schoolcraft County agrees to maintain, at all times, on account with MMRMA, sufficient funds to pay its self-insured retention obligations. The member agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the member's self-insured retention.

At September 30, 2004, the County had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE T – SINGLE AUDIT

During the September 30, 2004 fiscal period, Schoolcraft County's federal expenditures totaled less than \$500,000, therefore, the U.S. Office of Management and Budget Circular A-133 did not require a single audit.

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,666,837	\$ 1,675,712	\$ 1,675,740	\$ 28
License and permits	11,500	15,944	15,944	-
Federal sources	118,779	126,413	126,415	2
State sources	338,839	312,183	312,189	6
Charges for services	339,567	396,558	423,526	26,968
Interest and rentals	40,000	36,701	36,702	1
Other	461,027	491,462	493,010	1,548
Total revenues	2,976,549	3,054,973	3,083,526	28,553
EXPENDITURES:				
Legislative:				
Board of commissioners	66,687	68,357	64,125	4,232
County memberships	24,910	25,160	19,460	5,700
Judicial system:				
Circuit court	116,992	130,241	129,620	621
District court	163,086	201,784	201,299	485
Friend of court	127,032	116,888	116,873	15
Jury commission	2,260	2,260	2,023	237
Probate court	115,462	119,156	119,096	60
Juvenile court	47,256	54,810	54,798	12
Prosecuting attorney	161,558	160,726	160,715	11
General government:				
Elections	8,150	15,137	15,136	1
Audit	24,500	24,500	24,500	-
Clerk	216,326	216,964	216,951	13
Equalization	134,235	138,352	138,326	26
Surveyor	2,510	2,510	787	1,723
Treasurer	184,236	182,941	182,937	4
Cooperative extension	59,660	59,739	53,195	6,544
Building and grounds	314,915	317,709	314,554	3,155
Drain commissioner	4,876	8,988	8,650	338
Planning and zoning	9,678	8,486	8,482	4
Copy machines	14,400	14,527	14,527	-
Recreation and cultural:				
Parks	3,334	3,598	3,596	2
Public safety:				
Sheriff's administration	68,608	65,894	65,889	5
County jail	735,448	663,059	663,046	13
Animal control	3,389	2,924	2,922	2
Risk control safety commission	1,353	1,123	1,104	19
Health and welfare:				
Medical examiner	4,000	3,639	3,639	-
Veteran's counselor and burials	21,772	24,289	24,284	5
Communicable disease	100	304	304	-
Other - appropriations	87,947	117,784	117,773	11
Debt service:				
Principal payments	-	-	2,750	(2,750)
Interest and fiscal charges	-	-	395	(395)
Other:				
Insurance liability	67,221	69,376	68,762	614
Unemployment	10,000	10,000	-	10,000
Workmen's compensation	2,250	2,250	-	2,250
Other	87,179	68,343	14,776	53,567
Total expenditures	2,891,330	2,901,818	2,815,294	86,524
Excess revenues (expenditures)	85,219	153,155	268,232	115,077
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	100	100	-
Transfer in	201,100	204,880	100,000	(104,880)
Transfer out	(286,319)	(358,135)	(358,135)	-
Total other financing sources (uses)	(85,219)	(153,155)	(258,035)	(104,880)
Net changes in fund balances	-	-	10,197	10,197
Fund balances - beginning	216,927	216,927	216,927	216,927
Fund balances - ending	\$ 216,927	\$ 216,927	\$ 227,124	\$ 227,124

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COUNTY GRANTS FUND
For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
Federal sources	\$ -	\$ 78,473	\$ 78,539	\$ 66
EXPENDITURES:				
Public safety	-	78,473	78,557	(84)
Excess revenues (expenditures)	-	-	(18)	(18)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	18	18
Net changes in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAINTENANCE OF EFFORT - MEDICAL CARE FACILITY
For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 251,100	\$ 8,100	\$ 455	\$ (7,645)
Interest and rentals	4,300	4,300	3,985	(315)
Total revenues	255,400	12,400	4,440	(7,960)
EXPENDITURES:				
Health and welfare	275,200	41,363	41,362	1
Excess revenues (expenditures)	(19,800)	(28,963)	(36,922)	(7,959)
OTHER FINANCING SOURCES (USES):				
Transfer in	19,800	28,963	-	(28,963)
Net changes in fund balances	-	-	(36,922)	(36,922)
Fund balances - beginning	-	-	444,195	444,195
Fund balances - ending	\$ -	\$ -	\$ 407,273	\$ 407,273

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MEDICAL CARE FACILITY IMPROVEMENT FUND
For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
Interest and rentals	\$ 53,000	\$ 53,000	\$ 28,392	\$ (24,608)
EXPENDITURES:				
Other	553,000	397,036	-	397,036
Excess revenues (expenditures)	(500,000)	(344,036)	28,392	372,428
OTHER FINANCING SOURCES (USES):				
Transfer in	500,000	500,000	244,234	(255,766)
Transfer out	-	(155,964)	(155,964)	-
Total other financing sources	500,000	344,036	88,270	(255,766)
Net changes in fund balances	-	-	116,662	116,662
Fund balances - beginning	-	-	1,996,096	1,996,096
Fund balances - ending	\$ -	\$ -	\$ 2,112,758	\$ 2,112,758

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

Special Revenue Funds

	Drug & Alcohol Enforcement	Friend of the Court	Probation Oversite	Family Counseling Services
ASSETS				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	3,207	-	6,787	7,073
Receivables:				
State of Michigan	-	7,008	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	1,327	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	779	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 4,534</u>	<u>\$ 7,787</u>	<u>\$ 6,787</u>	<u>\$ 7,073</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,385	\$ 355	\$ -	\$ 192
Due to other funds	-	801	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	-	2,209	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,385</u>	<u>3,365</u>	<u>-</u>	<u>192</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	3,149	4,422	6,787	6,881
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>3,149</u>	<u>4,422</u>	<u>6,787</u>	<u>6,881</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 4,534</u>	<u>\$ 7,787</u>	<u>\$ 6,787</u>	<u>\$ 7,073</u>

See accompanying notes to financial statements

Special Revenue Funds

Survey and Remonumen- tation	Homestead Property Tax Audit	Register of Deeds Automation	Budget Stabilization	Emergency Management	911 Telephone	Snowmobile Enforcement Grant
\$ -	\$ -	\$ -	\$ -	\$ 3,138	\$ 145,418	\$ -
17,149	2,789	21,986	39,971	1,424	196,356	15,510
8,220	-	-	-	-	20,468	-
-	-	-	-	-	3,537	-
-	-	22	-	-	-	-
-	-	-	-	-	-	-
-	-	-	25,369	-	-	-
-	-	-	-	-	-	-
<u>\$ 25,369</u>	<u>\$ 2,789</u>	<u>\$ 22,008</u>	<u>\$ 65,340</u>	<u>\$ 4,562</u>	<u>\$ 365,779</u>	<u>\$ 15,510</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 671	\$ -
25,369	-	-	-	-	-	12,000
-	-	-	-	-	-	-
-	-	-	-	224	326	-
<u>25,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224</u>	<u>997</u>	<u>12,000</u>
-	-	-	-	3,138	145,418	-
-	2,789	22,008	65,340	1,200	219,364	3,510
-	2,789	22,008	65,340	4,338	364,782	3,510
<u>\$ 25,369</u>	<u>\$ 2,789</u>	<u>\$ 22,008</u>	<u>\$ 65,340</u>	<u>\$ 4,562</u>	<u>\$ 365,779</u>	<u>\$ 15,510</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2003

	Special Revenue Funds			
	Community Corrections Public Act	CDBG MEDC Planning Grant	Dare Grant	Corrections Officers Training
ASSETS				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,602	-	2,553	3,178
Receivables:				
State of Michigan	15,465	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 18,067</u>	<u>\$ -</u>	<u>\$ 2,553</u>	<u>\$ 3,178</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 766	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	2,721	-	-	-
	<u>2,721</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,487</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	14,580	-	2,553	3,178
	<u>14,580</u>	<u>-</u>	<u>2,553</u>	<u>3,178</u>
Total fund balances	<u>14,580</u>	<u>-</u>	<u>2,553</u>	<u>3,178</u>
Total liabilities and fund balances	<u>\$ 18,067</u>	<u>\$ -</u>	<u>\$ 2,553</u>	<u>\$ 3,178</u>

See accompanying notes to financial statements

Special Revenue Funds

Sheriff Road Patrol	Wrap Grant	Law Library	Juvenile Justice	Truancy Prevention Grant	FIA/MSU Grant	Commission on Aging
\$ -	\$ -	\$ -	\$ 115	\$ -	\$ -	\$ 1,935
-	-	5,499	115	929	3,245	49,410
12,585	1,947	-	2,500	-	4,916	1,445
-	-	-	-	-	-	61
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,335	-	-	1,305
<u>\$ 12,585</u>	<u>\$ 1,947</u>	<u>\$ 5,499</u>	<u>\$ 5,065</u>	<u>\$ 929</u>	<u>\$ 8,161</u>	<u>\$ 54,156</u>
\$ -	\$ 227	\$ 3,159	\$ -	\$ -	\$ -	\$ 2,806
9,839	420	-	4,074	-	-	-
-	-	-	-	-	-	-
1,235	-	-	876	-	-	2,874
<u>11,074</u>	<u>647</u>	<u>3,159</u>	<u>4,950</u>	<u>-</u>	<u>-</u>	<u>5,680</u>
-	-	-	115	-	-	1,935
1,511	1,300	2,340	-	929	8,161	46,541
<u>1,511</u>	<u>1,300</u>	<u>2,340</u>	<u>115</u>	<u>929</u>	<u>8,161</u>	<u>48,476</u>
<u>\$ 12,585</u>	<u>\$ 1,947</u>	<u>\$ 5,499</u>	<u>\$ 5,065</u>	<u>\$ 929</u>	<u>\$ 8,161</u>	<u>\$ 54,156</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

	Special Revenue Funds			
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief
ASSETS				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,550	318	12,413	1,123
Receivables:				
State of Michigan	-	-	-	-
Accounts	-	-	565	-
Accrued interest	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 2,550</u>	<u>\$ 318</u>	<u>\$ 12,978</u>	<u>\$ 1,123</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 118	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	12,306	-
Accrued payroll	-	-	-	15
Total liabilities	<u>-</u>	<u>118</u>	<u>12,306</u>	<u>15</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	2,550	200	672	1,108
Total fund balances	<u>2,550</u>	<u>200</u>	<u>672</u>	<u>1,108</u>
Total liabilities and fund balances	<u>\$ 2,550</u>	<u>\$ 318</u>	<u>\$ 12,978</u>	<u>\$ 1,123</u>

See accompanying notes to financial statements

Special Revenue Funds			Debt Service Funds		
Michigan Veterans Trust	Child Care Welfare	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	4,727	205,811	12,823	86,461
500	-	-	1,010	-	1,733
-	-	-	-	-	-
-	-	-	219	14	89
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 4,727</u>	<u>\$ 207,040</u>	<u>\$ 12,837</u>	<u>\$ 88,283</u>
\$ -	\$ -	\$ -	\$ -	\$ -	-
212	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>288</u>	<u>-</u>	<u>4,727</u>	<u>207,040</u>	<u>12,837</u>	<u>88,283</u>
<u>288</u>	<u>-</u>	<u>4,727</u>	<u>207,040</u>	<u>12,837</u>	<u>88,283</u>
<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 4,727</u>	<u>\$ 207,040</u>	<u>\$ 12,837</u>	<u>88,283</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Improvement	Capital Improvement - Public Safety	Carpenter Dam - Maintenance & Repair	
ASSETS				
Cash and equivalents:				
Restricted	\$ 50,559	\$ 21,946	\$ -	\$ 223,111
Unrestricted	105	6,250	4,880	717,244
Receivables:				
State of Michigan	-	-	-	77,797
Accounts	-	-	-	4,163
Accrued interest	-	-	-	344
Due from other governmental units	-	-	-	1,327
Due from other funds	-	-	-	25,369
Prepaid expense	-	-	-	4,419
Total assets	<u>\$ 50,664</u>	<u>\$ 28,196</u>	<u>\$ 4,880</u>	<u>\$ 1,053,774</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 9,679
Due to other funds	-	-	-	52,715
Due to other governmental units	-	-	-	12,306
Accrued payroll	-	-	-	10,480
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,180</u>
Fund balances:				
Unreserved:				
Designated	50,559	21,946	-	223,111
Undesignated	105	6,250	4,880	745,483
Total fund balances	<u>50,664</u>	<u>28,196</u>	<u>4,880</u>	<u>968,594</u>
Total liabilities and fund balances	<u>\$ 50,664</u>	<u>\$ 28,196</u>	<u>\$ 4,880</u>	<u>\$ 1,053,774</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	Special Revenue Funds			
	Drug & Alcohol Enforcement	Friend of the Court	Probation Oversite	Family Counseling Services
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	49,900	-	-
State sources	-	-	-	-
Local sources	3,097	-	-	-
Charges for services	-	2,817	2,820	720
Interest and rentals	-	53	-	-
Other	-	-	-	-
Total revenues	<u>3,097</u>	<u>52,770</u>	<u>2,820</u>	<u>720</u>
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	6,840	-	-	-
Health and welfare	-	73,999	4,594	2,530
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>6,840</u>	<u>73,999</u>	<u>4,594</u>	<u>2,530</u>
Excess revenues (expenditures)	<u>(3,743)</u>	<u>(21,229)</u>	<u>(1,774)</u>	<u>(1,810)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	3,156	24,765	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>3,156</u>	<u>24,765</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	(587)	3,536	(1,774)	(1,810)
Fund balances - beginning	<u>3,736</u>	<u>886</u>	<u>8,561</u>	<u>8,691</u>
Fund balances - ending	<u>\$ 3,149</u>	<u>\$ 4,422</u>	<u>\$ 6,787</u>	<u>\$ 6,881</u>

See accompanying notes to financial statements

Special Revenue Funds

Survey and Remonumen- tation	Homestead Property Tax Audit	Register of Deeds Automation	Budget Stabilization	Emergency Management	911 Telephone	Snowmobile Enforcement Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
31,306	-	-	-	-	76,465	3,713
-	-	-	-	-	46,803	-
-	-	17,045	-	-	-	-
-	3,148	401	-	-	-	-
-	-	-	-	646	-	1,000
31,306	3,148	17,446	-	646	123,268	4,713
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	7,917	49,323	4,120
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
60,256	359	93	-	-	-	-
60,256	359	93	-	7,917	49,323	4,120
(28,950)	2,789	17,353	-	(7,271)	73,945	593
-	-	-	-	5,722	-	-
-	-	(5,708)	-	(18)	-	-
-	-	(5,708)	-	5,704	-	-
(28,950)	2,789	11,645	-	(1,567)	73,945	593
28,950	-	10,363	65,340	5,905	290,837	2,917
\$ -	\$ 2,789	\$ 22,008	\$ 65,340	\$ 4,338	\$ 364,782	\$ 3,510

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	Special Revenue Funds			
	Community Corrections Public Act	CDBG MEDC Planning Grant	Dare Grant	Corrections Officers Training
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	87,574	-	-	-
Local sources	300	-	2,484	-
Charges for services	-	-	-	3,368
Interest and rentals	-	-	-	-
Other	16,220	-	2,139	-
Total revenues	104,094	-	4,623	3,368
EXPENDITURES:				
Judicial system	99,809	-	-	-
General government	-	-	-	-
Public safety	-	-	2,079	190
Health and welfare	-	20,000	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	99,809	20,000	2,079	190
Excess revenues (expenditures)	4,285	(20,000)	2,544	3,178
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	4,285	(20,000)	2,544	3,178
Fund balances - beginning	10,295	20,000	9	-
Fund balances - ending	\$ 14,580	\$ -	\$ 2,553	\$ 3,178

See accompanying notes to financial statements

Special Revenue Funds

Sheriff Road Patrol	Wrap Grant	Law Library	Juvenile Justice	Truancy Prevention Grant	FIA/MSU Grant	Commission on Aging
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,973
-	15,220	-	-	-	44,425	11,738
37,891	-	-	15,634	-	-	18,016
-	-	-	85	17,500	-	575
-	-	-	-	-	-	-
-	-	-	-	-	-	-
231	-	2,000	94	-	-	21,090
38,122	15,220	2,000	15,813	17,500	44,425	166,392
-	-	26,660	37,176	21,600	-	-
-	-	-	-	-	-	-
37,891	-	-	-	-	-	-
-	15,657	-	-	-	40,508	126,177
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
37,891	15,657	26,660	37,176	21,600	40,508	126,177
231	(437)	(24,660)	(21,363)	(4,100)	3,917	40,215
-	-	27,000	16,673	-	-	5,000
-	-	-	-	-	-	-
-	-	27,000	16,673	-	-	5,000
231	(437)	2,340	(4,690)	(4,100)	3,917	45,215
1,280	1,737	-	4,805	5,029	4,244	3,261
\$ 1,511	\$ 1,300	\$ 2,340	\$ 115	\$ 929	\$ 8,161	\$ 48,476

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	Special Revenue Funds			
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	888	1,736	1,075	-
Local sources	-	-	-	-
Interest and rentals	-	-	-	-
Charges for services	-	-	13,603	-
Other	-	-	125	-
Total revenues	888	1,736	14,803	-
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	1,064	-	-	-
Health and welfare	-	1,561	128,050	650
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	1,064	1,561	128,050	650
Excess revenues (expenditures)	(176)	175	(113,247)	(650)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	94,500	760
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	94,500	760
Net changes in fund balance	(176)	175	(18,747)	110
Fund balances - beginning	2,726	25	19,419	998
Fund balances - ending	\$ 2,550	\$ 200	\$ 672	\$ 1,108

See accompanying notes to financial statements

Special Revenue Funds			Debt Service Funds		
Michigan Veterans Trust	Child Care Welfare	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ -	\$ -	\$ 87,642	\$ -	\$ 150,181
-	-	-	-	-	-
804	-	1,052	-	-	-
-	-	-	-	-	-
-	-	-	2,465	525	1,340
-	-	-	-	-	-
804	-	1,052	90,107	525	151,521
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,279	-	-	-
585	374	-	-	-	-
-	-	-	-	-	-
-	-	-	70,000	30,000	75,000
-	-	-	24,500	42,847	86,162
-	-	-	604	-	54,632
585	374	1,279	95,104	72,847	215,794
219	(374)	(227)	(4,997)	(72,322)	(64,273)
-	-	-	-	73,650	-
-	-	-	-	-	-
-	-	-	-	73,650	-
219	(374)	(227)	(4,997)	1,328	(64,273)
69	374	4,954	212,037	11,509	152,556
\$ 288	\$ -	\$ 4,727	\$ 207,040	\$ 12,837	\$ 88,283

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Improvement	Capital Improvement - Public Safety	Carpenter Dam - Maintenance & Repair	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 352,796
Federal sources	-	-	-	121,283
State sources	-	-	-	276,154
Local sources	-	-	-	70,844
Interest and rentals	-	-	-	26,770
Charges for services	-	-	-	21,535
Other	-	-	-	43,545
Total revenues	-	-	-	912,927
EXPENDITURES:				
Judicial system	-	-	-	185,245
General government	-	-	-	-
Public safety	-	-	-	110,703
Health and welfare	-	-	-	414,685
Capital outlay	5,321	-	-	5,321
Debt service:				
Principal	-	-	-	175,000
Interest	-	-	-	153,509
Other	-	-	2,152	118,096
Total expenditures	5,321	-	2,152	1,162,559
Excess revenues (expenditures)	(5,321)	-	(2,152)	(249,632)
OTHER FINANCING SOURCES (USES):				
Transfer in	3,000	1,575	500	256,301
Transfer out	-	-	-	(5,726)
Total other financing sources (uses)	3,000	1,575	500	250,575
Net changes in fund balance	(2,321)	1,575	(1,652)	943
Fund balances - beginning	52,985	26,621	6,532	967,651
Fund balances - ending	\$ 50,664	\$ 28,196	\$ 4,880	\$ 968,594

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
September 30, 2004

	<u>Jail Commissary</u>	<u>Building Inspection Department</u>	<u>Buildings and Property</u>	<u>Summer Tax Collections</u>
ASSETS				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 3,868	\$ 5,499	\$ 88,768	\$ 2,797
Accounts receivable	-	-	4,783	-
Prepaid expenses	-	779	-	-
	<u>3,868</u>	<u>6,278</u>	<u>93,551</u>	<u>2,797</u>
Total current assets				
	<u>3,868</u>	<u>6,278</u>	<u>93,551</u>	<u>2,797</u>
Noncurrent assets:				
Delinquent taxes	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	11,327	-
	<u>-</u>	<u>-</u>	<u>11,327</u>	<u>-</u>
Total noncurrent assets				
	<u>-</u>	<u>-</u>	<u>11,327</u>	<u>-</u>
Total assets	<u>\$ 3,868</u>	<u>\$ 6,278</u>	<u>\$ 104,878</u>	<u>\$ 2,797</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 750	\$ -
Accrued payroll	-	1,580	-	-
	<u>-</u>	<u>1,580</u>	<u>-</u>	<u>-</u>
Total liabilities				
	<u>-</u>	<u>1,580</u>	<u>750</u>	<u>-</u>
NET ASSETS				
Invested in capital assets	-	-	11,327	-
Unrestricted	3,868	4,698	92,801	2,797
	<u>3,868</u>	<u>4,698</u>	<u>104,128</u>	<u>2,797</u>
Total net assets				
	<u>3,868</u>	<u>4,698</u>	<u>104,128</u>	<u>2,797</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,868</u>	<u>\$ 6,278</u>	<u>\$ 104,878</u>	<u>\$ 2,797</u>

See accompanying notes to financial statements

<u>Tax Revolving 1998</u>	<u>Tax Revolving 1999</u>	<u>Tax Revolving 2000</u>	<u>Tax Revolving Administration</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ 60	\$ 484	\$ 526	\$ 5,114	\$ 107,116
-	-	-	2,986	7,769
-	-	-	-	779
60	484	526	8,100	115,664
183	184	188	-	555
-	-	-	-	11,327
183	184	188	-	11,882
<u>\$ 243</u>	<u>\$ 668</u>	<u>\$ 714</u>	<u>\$ 8,100</u>	<u>\$ 127,546</u>
\$ 4	\$ -	\$ 8	\$ -	\$ 762
-	-	-	-	1,580
4	-	8	-	2,342
-	-	-	-	11,327
239	668	706	8,100	113,877
239	668	706	8,100	125,204
<u>\$ 243</u>	<u>\$ 668</u>	<u>\$ 714</u>	<u>\$ 8,100</u>	<u>\$ 127,546</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	<u>Jail Commissary</u>	<u>Building Inspection Department</u>	<u>Buildings and Property</u>	<u>Summer Tax Collections</u>
OPERATING REVENUES:				
Charges for services	\$ 9,563	\$ 28,248	\$ -	\$ -
State sources	-	7,300	-	-
Rental and interest income	13	-	14,352	610
Other	-	176	7,511	-
	<u>9,576</u>	<u>35,724</u>	<u>21,863</u>	<u>610</u>
Total operating revenue				
OPERATING EXPENSES:				
Salaries and fringes	-	55,715	-	-
Contracted services	-	-	8,511	-
Depreciation	-	-	594	-
Other	7,265	3,703	3,576	909
	<u>7,265</u>	<u>59,418</u>	<u>12,681</u>	<u>909</u>
Total operating expenses				
Operating income (loss)	<u>2,311</u>	<u>(23,694)</u>	<u>9,182</u>	<u>(299)</u>
NONOPERATING REVENUES (EXPENSES):				
Transfer in	-	22,273	-	-
Transfer out	-	-	-	(5,489)
	<u>-</u>	<u>22,273</u>	<u>-</u>	<u>(5,489)</u>
Total nonoperating revenues (expenses)				
Change in net assets	2,311	(1,421)	9,182	(5,788)
Total net assets - beginning	<u>1,557</u>	<u>6,119</u>	<u>94,946</u>	<u>8,585</u>
Total net assets - ending	<u>\$ 3,868</u>	<u>\$ 4,698</u>	<u>\$ 104,128</u>	<u>\$ 2,797</u>

See accompanying notes to financial statements

<u>Tax Revolving 1998</u>	<u>Tax Revolving 1999</u>	<u>Tax Revolving 2000</u>	<u>Tax Revolving Administration</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ 44	\$ -	\$ 215	\$ 2,985	\$ 41,055
-	-	-	-	7,300
387	1,927	2,249	-	19,538
-	-	-	-	7,687
<u>431</u>	<u>1,927</u>	<u>2,464</u>	<u>2,985</u>	<u>75,580</u>
-	-	-	-	55,715
-	-	-	-	8,511
-	-	-	-	594
<u>3,022</u>	<u>-</u>	<u>7</u>	<u>266</u>	<u>18,748</u>
<u>3,022</u>	<u>-</u>	<u>7</u>	<u>266</u>	<u>83,568</u>
<u>(2,591)</u>	<u>1,927</u>	<u>2,457</u>	<u>2,719</u>	<u>(7,988)</u>
-	-	-	-	22,273
<u>(43,977)</u>	<u>(256,163)</u>	<u>(278,449)</u>	<u>-</u>	<u>(584,078)</u>
<u>(43,977)</u>	<u>(256,163)</u>	<u>(278,449)</u>	<u>-</u>	<u>(561,805)</u>
(46,568)	(254,236)	(275,992)	2,719	(569,793)
<u>46,807</u>	<u>254,904</u>	<u>276,698</u>	<u>5,381</u>	<u>694,997</u>
<u>\$ 239</u>	<u>\$ 668</u>	<u>\$ 706</u>	<u>\$ 8,100</u>	<u>\$ 125,204</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	Jail Commissary	Building Inspection Department	Buildings and Property	Summer Tax Collections
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 9,563	\$ 28,424	\$ -	\$ -
Receipts from interest and rents	13	-	33,488	610
Cash received for collection of taxes	-	-	-	-
Other operating cash receipts	-	7,300	7,511	7,833
Payments to suppliers	(7,265)	(4,549)	(11,337)	(909)
Payments for wages and related benefits	-	(55,252)	-	-
Other operating cash payments	-	-	-	-
	<u>2,311</u>	<u>(24,077)</u>	<u>29,662</u>	<u>7,534</u>
Net cash provided (used) by operating activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	-	22,273	-	-
Transfer out	-	-	-	(5,489)
	<u>-</u>	<u>22,273</u>	<u>-</u>	<u>(5,489)</u>
Net cash provided (used) by noncapital financing activities				
	<u>-</u>	<u>22,273</u>	<u>-</u>	<u>(5,489)</u>
Net increase (decrease) in cash and equivalents	2,311	(1,804)	29,662	2,045
Cash and equivalents, beginning of year	1,557	7,303	59,106	752
Cash and equivalents, end of year	<u>\$ 3,868</u>	<u>\$ 5,499</u>	<u>\$ 88,768</u>	<u>\$ 2,797</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 2,311	\$ (23,694)	\$ 9,182	\$ (299)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	594	-
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	-	19,136	7,833
(Increase) decrease in prepaid expenses	-	(779)	-	-
Increase (decrease) in accounts payable	-	(67)	750	-
Increase (decrease) in accrued payroll	-	463	-	-
	<u>-</u>	<u>(383)</u>	<u>20,480</u>	<u>7,833</u>
Total adjustments				
	<u>-</u>	<u>(383)</u>	<u>20,480</u>	<u>7,833</u>
Net cash provided by operating activities	<u>\$ 2,311</u>	<u>\$ (24,077)</u>	<u>\$ 29,662</u>	<u>\$ 7,534</u>

See accompanying notes to financial statements

Tax Revolving 1998	Tax Revolving 1999	Tax Revolving 2000	Tax Revolving Administration	Total Nonmajor Proprietary Funds
\$ 44	\$ -	\$ 215	\$ 2,624	\$ 40,870
-	-	-	-	34,111
545	2,110	2,982	-	5,637
-	-	-	-	22,644
-	-	-	-	(24,060)
				(55,252)
(3,178)	(46)	(304)	(266)	(3,794)
(2,589)	2,064	2,893	2,358	20,156
-	-	-	-	22,273
(43,977)	(256,163)	(278,449)	-	(584,078)
(43,977)	(256,163)	(278,449)	-	(561,805)
(46,566)	(254,099)	(275,556)	2,358	(541,649)
46,626	254,583	276,082	2,756	648,765
\$ 60	\$ 484	\$ 526	\$ 5,114	\$ 107,116
\$ (2,591)	\$ 1,927	\$ 2,457	\$ 2,719	\$ (7,988)
-	-	-	-	594
158	183	733	(361)	27,682
-	-	-	-	(779)
(156)	(46)	(297)	-	184
-	-	-	-	463
2	137	436	(361)	28,144
\$ (2,589)	\$ 2,064	\$ 2,893	\$ 2,358	\$ 20,156

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2004

	<u>Computer</u>	<u>Postage Meter</u>	<u>Telephone</u>	<u>Motor Pool Police Vehicle</u>
ASSETS				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 31,927	\$ -	\$ -	\$ 8,249
Unrestricted	1,389	5,136	4,536	1,376
Accounts receivable	-	-	18	-
Prepaid expenses	-	6,884	-	-
	<u>33,316</u>	<u>12,020</u>	<u>4,554</u>	<u>9,625</u>
Total current assets				
Noncurrent assets:				
Capital assets, net of accumulated depreciation	<u>26,352</u>	<u>155</u>	<u>549</u>	<u>3,982</u>
Total assets	<u>\$ 59,668</u>	<u>\$ 12,175</u>	<u>\$ 5,103</u>	<u>\$ 13,607</u>
LIABILITIES				
Current liabilities:				
Accounts payable	<u>1,097</u>	<u>-</u>	<u>389</u>	<u>-</u>
NET ASSETS				
Invested in capital assets	26,352	155	549	3,982
Unrestricted	<u>32,219</u>	<u>12,020</u>	<u>4,165</u>	<u>9,625</u>
Total net assets	<u>58,571</u>	<u>12,175</u>	<u>4,714</u>	<u>13,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 59,668</u>	<u>\$ 12,175</u>	<u>\$ 5,103</u>	<u>\$ 13,607</u>

See accompanying notes to financial statements

Total
Internal
Service
Funds

\$	40,176
	12,437
	18
	6,884

59,515

31,038

\$ 90,553

1,486

31,038

58,029

89,067

\$ 90,553

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2004

	<u>Computer</u>	<u>Postage Meter</u>	<u>Telephone</u>	<u>Motor Pool Police Vehicle</u>
OPERATING REVENUES:				
Charges for services	\$ 89	\$ 4,950	\$ 3,982	\$ -
Other	596	-	-	-
Total operating revenue	<u>685</u>	<u>4,950</u>	<u>3,982</u>	<u>-</u>
OPERATING EXPENSES:				
Administrative fees	14,955	16,349	19,407	3,083
Depreciation	<u>15,302</u>	<u>206</u>	<u>2,356</u>	<u>7,082</u>
Total operating expenses	<u>30,257</u>	<u>16,555</u>	<u>21,763</u>	<u>10,165</u>
Operating income (loss)	<u>(29,572)</u>	<u>(11,605)</u>	<u>(17,781)</u>	<u>(10,165)</u>
NONOPERATING REVENUES (EXPENSES):				
Transfer in	<u>25,385</u>	<u>13,000</u>	<u>15,000</u>	<u>1,478</u>
Change in net assets	(4,187)	1,395	(2,781)	(8,687)
Total net assets - beginning	<u>62,758</u>	<u>10,780</u>	<u>7,495</u>	<u>22,294</u>
Total net assets - ending	<u><u>\$ 58,571</u></u>	<u><u>\$ 12,175</u></u>	<u><u>\$ 4,714</u></u>	<u><u>\$ 13,607</u></u>

See accompanying notes to financial statements

Total
Internal
Service
Funds

\$ 9,021
596

9,617

53,794
24,946

78,740

(69,123)

54,863

(14,260)

103,327

\$ 89,067

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2004

	<u>Computer</u>	<u>Postage Meter</u>	<u>Telephone</u>	<u>Motor Pool Police Vehicle</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from interfund services provided	\$ 7,802	\$ 4,950	\$ 3,998	\$ -
Cash payments to other suppliers of goods and services	<u>(15,117)</u>	<u>(22,351)</u>	<u>(19,344)</u>	<u>(3,083)</u>
Net cash provided (used) by operating activities	<u>(7,315)</u>	<u>(17,401)</u>	<u>(15,346)</u>	<u>(3,083)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	<u>25,385</u>	<u>13,000</u>	<u>15,000</u>	<u>1,478</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Purchases of capital assets	<u>(18,810)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	(740)	(4,401)	(346)	(1,605)
Cash and equivalents, beginning of year	<u>34,056</u>	<u>9,537</u>	<u>4,882</u>	<u>11,230</u>
Cash and equivalents, end of year	<u><u>\$ 33,316</u></u>	<u><u>\$ 5,136</u></u>	<u><u>\$ 4,536</u></u>	<u><u>\$ 9,625</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	<u>\$ (29,572)</u>	<u>\$ (11,605)</u>	<u>\$ (17,781)</u>	<u>\$ (10,165)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	15,302	206	2,356	7,082
Changes in assets and liabilities:				
(Increase) decrease in receivables	7,117	-	16	-
(Increase) decrease in prepaid expenses	-	(5,951)	-	-
Increase (decrease) in due to other funds	(1,239)	-	-	-
Increase (decrease) in accounts payable	<u>1,077</u>	<u>(51)</u>	<u>63</u>	<u>-</u>
Total adjustments	<u>22,257</u>	<u>(5,796)</u>	<u>2,435</u>	<u>7,082</u>
Net cash provided by operating activities	<u><u>\$ (7,315)</u></u>	<u><u>\$ (17,401)</u></u>	<u><u>\$ (15,346)</u></u>	<u><u>\$ (3,083)</u></u>

See accompanying notes to the financial statements

Total
Internal
Service
Funds

\$ 16,750

(59,895)

(43,145)

54,863

(18,810)

(7,092)

59,705

\$ 52,613

\$ (69,123)

24,946

7,133

(5,951)

(1,239)

1,089

25,978

\$ (43,145)

See accompanying notes to the financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2004

	General Trust and Agency	Probation Restitution	District Court Trust	Sheriff Inmate Trust
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 93,832	\$ 9,078	\$ 50,917	\$ 298
Receivables:				
Due from other governmental units	-	-	-	-
Other assets	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 93,832</u>	<u>\$ 9,078</u>	<u>\$ 50,917</u>	<u>\$ 298</u>
LIABILITIES				
Accounts payable	\$ 3,990	\$ -	\$ -	\$ -
Due to other funds	42,980	-	-	-
Due to other units governmental units	7,635	-	-	-
Undistributed taxes	8,132	-	-	-
Other liabilities	31,095	9,078	50,917	298
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 93,832</u>	<u>\$ 9,078</u>	<u>\$ 50,917</u>	<u>\$ 298</u>

See accompanying notes to financial statements

<u>Payroll Trust and Agency</u>	<u>Library Fund</u>	<u>Retirement Fund</u>	<u>Housing Commission</u>	<u>Totals</u>
\$ 5,586	\$ 17,677	\$ 85,583	\$ -	\$ 262,971
11,972	-	-	3,930	15,902
-	-	-	1,702	1,702
<u>\$ 17,558</u>	<u>\$ 17,677</u>	<u>\$ 85,583</u>	<u>\$ 5,632</u>	<u>\$ 280,575</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,990
-	-	-	1,622	44,602
17,558	-	-	80	25,273
-	-	-	-	8,132
	17,677	85,583	3,930	198,578
<u>\$ 17,558</u>	<u>\$ 17,677</u>	<u>\$ 85,583</u>	<u>\$ 5,632</u>	<u>\$ 280,575</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN

REPORT TO MANAGEMENT

Year Ended September 30, 2004



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT TO MANAGEMENT

Members of the Board of Commissioners
County of Schoolcraft, Michigan

We have audited the financial statements of the County of Schoolcraft, Michigan for the year ended September 30, 2004, and have issued our reports thereon dated November 23, 2004. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the County of Schoolcraft, Michigan. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Schoolcraft, Michigan are described in Note A of the financial statements.

During the current year the County prepared their financial statements in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which significantly changes the financial reporting format for the County. We noted no transactions entered into by the County of Schoolcraft, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Schoolcraft, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Schoolcraft County auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Members of the Board of Commissioners
County of Schoolcraft, Michigan

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the County of Schoolcraft, Michigan, for the year ended September 30, 2004, we considered the County of Schoolcraft, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated November 23, 2004, on the financial statements of the County of Schoolcraft, Michigan.

We have already discussed many of these comments and recommendations with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Anderson, Tackman & Company P.C.
Certified Public Accountants

November 23, 2004

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

BUDGET VIOLATONS

Comment:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended September 30, 2004, the County Grants fund expenditures exceeded total appropriations by \$84.

Recommendation:

We recommend expenditure accounts be closely monitored in order to determine the need to amend the budget to prevent budget violations.

VACATION LEAVE APPROVAL

Comment:

During our payroll testing, we noted an individual was allowed to get a payment in lieu of vacation time at the end of the year. Based on the Personnel Policies & Procedures Manual (updated January 2004) there should be department head and personnel committee approval. Per inquiries and review of board minutes, we noted no documentation of approval.

Recommendation:

We recommend approval for payment in lieu of vacation be submitted to the payroll clerk and/or documented in the board meeting minutes.

UNDER PAID EMPLOYEE

Comment:

During payroll testing, we noted (3) instances of pay to employees that were incorrect as a result of clerical error. These instances were immaterial in amount.

Recommendation:

We recommend payroll be reviewed by a second person in the Clerk's Office to assist in assuring an accurate payroll by detecting and preventing errors.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

DISTRICT COURT TRANSMITTALS

Comment:

District Court is currently transmitting funds to the Treasurer on a monthly basis.

Recommendation:

We recommend transmittals be performed on a weekly basis in order to strengthen controls and to more timely record revenue of the County.

COMMUNITY CORRECTIONS RECEIPTING

Comment:

During our transmittal testing, we noted the Community Corrections have not issued receipts for all types of checks and cash received (ex. Donations vs. payment on bills).

Recommendation:

We recommend all collections be receipted, no matter the type of collection.

EDC FINANCIAL AUDIT

Comment:

The County does not receive nor review the annual audit report of the Schoolcraft County EDC. In order to perform sufficient oversight on grants pass-through the County to the EDC, the County needs to insure these grants are being audited and properly classified as federal grants.

Recommendation:

We recommend the County obtain a copy of the Economic Development Corporation's annual audit report to ensure grant monies are being audited and reported correctly. This procedure is an important part of subrecipient monitoring on grants pass-through the County.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Management Response:

We currently have on file in the County Treasurer's Office, the 1995-2004 EDC audit reports. A member of the County Board is appointed to the EDC Board. In the future, we will encourage him to report the audit findings to the County Board for their approval.

SALES TAX & LATE FEES

Comment:

During review of phone bills for 911, we noted the County paid \$421.19 in state sales tax and \$54.42 in late fees.

Recommendation:

We recommend the County save money by utilizing its sales tax exempt status and by making timely payments to avoid late fees.

Management Response:

911 is charged a monthly line fee from SBC. As of December 2004, the sales tax will no longer be charged, as per SBC. A refund check of \$434.31 is being sent to the County for overpayment. The current vouchers are now being done in a timely manner.

OUTSTANDING CHECKS OVER ONE-YEAR

Comment:

The District Court bond account has 5 checks, which have been outstanding for over one year.

Recommendation:

We recommend these outstanding checks be investigated in order to re-issue payment or escheat these funds to the State of Michigan.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

AIRPORT MANAGEMENT & OPERATOR CONTRACTS

Comment/Recommendation:

1. The most recent contracts on file are June 23, 1998.

We recommend a new contract be signed each year.

2. Contract states the Airport Manager will provide the Treasurer with a copy of invoices associated with fuel purchases, specifying quantity or volume of fuel purchased. We have noted that this isn't being done.

We recommend the information be provided as stated in the contract.

3. Contract states the Airport Manager shall pay the County the amount of \$.10 per gallon on aviation and jet fuel sold, and such payment be made monthly to the County based on sales. The manager shall provide the County during the first week of every month during the life of the contract, with receipts showing the number of gallons of fuel sold by the Airport Manager during the previous month, and shall provide pump readings to support such receipts and sales.

We noted the County's share of fuel sales and the information required by the contract, are not being provided on a monthly basis. We recommend County funds and the required information be provided on a monthly basis as stated in the contract. In the event that fuel pump readings cannot be printed, we recommend the fuel tanks be measured (dipped) periodically by a representative of the County to substantiate the number of gallons sold by the Airport Manager.

4. Contract states the contractor shall pay to the County the sum of 50% of the total monthly rental as paid to the contractor for the county-owned hangars and hangar space, and the Airport Operator provide the County with a schedule of hangar space rental due and collected.

We recommend this provision of the contract be followed as stated.

5. Contract states the contractor shall be responsible for his own workman's compensation insurance and a copy of the policy be provided to the Clerk of the County board for the recorded.

We noted workman's compensation insurance is not being provided by the Airport Manager/Operator, but is being paid for by the County. We recommend the Airport Manager/Operator be responsible for obtaining workman's compensation insurance as stated in the contract.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

6. Airport Manager's contract states the Airport Manager shall maintain liability insurance in the minimum amount of \$1,000,000, and the Manager provide proof of such coverage to the Clerk of the County.

We recommend the County obtain proof of insurance as stated in the contract.

JOURNAL ENTRIES

Comment:

Journal entries made by the County to the general ledger are not being reviewed by a second person.

Recommendation:

We recommend all journal entries made to the general ledger be reviewed by a second person. Signatures or initials should document such review. This will strengthen the controls over adjustments made to the books of the County.

Management Response:

As of October 1, 2004, all County Treasurer journal entries are being approved by a second person.